

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input checked="" type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Charlevoix County	County Charlevoix
Fiscal Year End 12/31/05	Opinion Date 05/11/06	Date Audit Report Submitted to State 6/29/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
- ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
- ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
- ☐ ☒ The local unit has adopted a budget for all required funds.
- ☒ ☐ A public hearing on the budget was held in accordance with State statute.
- ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
- ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ ☒ The local unit only holds deposits/investments that comply with statutory requirements.
- ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
- ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
- ☒ ☐ The local unit is free of repeated comments from previous years.
- ☒ ☐ The audit opinion is UNQUALIFIED.
- ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
- ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
- ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>	with single audit		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Harris Group, CPAs		Telephone Number (231) 946-8930		
Street Address 1107 E. 8TH STREET		City TRAVERSE CITY	State MI	Zip 49686
Authorizing CPA Signature		Printed Name Ronald G Harris, CPA		License Number 1101024798

**CHARLEVOIX COUNTY, MICHIGAN**  
**REPORT ON FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

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## **INTRODUCTORY SECTION**

**CHARLEVOIX COUNTY, MICHIGAN  
ORGANIZATION  
DECEMBER 31, 2005**

**BOARD OF COMMISSIONERS**

Victor Patrick  
Chairman

W. Randolph Frykberg  
Vice-Chairman

Ronald Reinhardt

Connie Saltonstall

Dennis Jason

Shirley J. Roloff

**COUNTY ELECTED OFFICIALS**

Marilyn Cousineau  
Treasurer

Jane E. Brannon  
Clerk/Fiscal Off.

Lawrence Feindt  
Surveyor

Charlene M. Novotny  
Register of Deeds

Mark Seeley  
Drain Commissioner

George T. Lasater  
Sheriff

John Jarema  
Prosecuting Attorney

**COUNTY JUDGES**

Frederick Mulhauser  
Probate Judge

Richard M. Pajtas  
Circuit Judge

Richard W. May  
District Judge

## **FINANCIAL SECTION**



## **Independent Auditor's Report**

Honorable Chairman and Members  
of the Board of Commissioners  
Charlevoix County  
Charlevoix, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented components units, each major fund, and the aggregate remaining fund information of Charlevoix County, Michigan, as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Charlevoix County, Michigan, management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the component-unit financial statements of the County Road Commission, the Northwest Michigan Community Health Agency (Special Revenue Funds), which statements reflect total assets, total net assets and total revenues constituting 31 percent, 39 percent and 40 percent, respectively, of the basic financial statements, or Grandvue Medical Care Facility (Enterprise Fund) which statements reflect total assets, total net assets and revenues constituting 20 percent, 21 percent and 18 percent, respectively, of the basic financial statements. These statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for the County Road Commission, Northwest Michigan Community Health Agency, and the Grandvue Medical Care Facility are based solely upon the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit and the report of other auditors, provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Charlevoix County, Michigan, as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2006 on our consideration of Charlevoix County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



The managements discussion and analysis and required budgetary comparison information identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally if inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Charlevoix County, Michigan's, basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Certified Public Accountants  
May 11, 2006

This section of Charlevoix County's annual financial report presents its discussion and analysis of the government's financial performance during the year ending December 31, 2005.

### **Financial Highlights**

- The County's financial status improved. Total net assets increased 16.8% over the prior year.
- Total revenues for the primary government exceeded expenditures by \$4,025,336. Primarily due to the creation of the Revenue Sharing Reserve fund which recorded tax revenues of \$2,162,838 to be used to fund general fund operations for the next 10 years, and recording a transfer from Grandvue Medical Care Facility for additional costs associated with the expansion project.
- The County's tax based increase 7.02% to \$1,587,021,381.

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to Charlevoix County's basic financial statements. Charlevoix County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of Charlevoix County's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of Charlevoix County's assets and liabilities, with the differences between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Charlevoix County is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

Both the government-wide financial statements distinguish functions of Charlevoix County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of Charlevoix County include general government, public safety, health and welfare, recreation and culture and other services. The business-type activities of Charlevoix County include public and regional transportation, commissary inmate trust and purchasing of delinquent taxes.

The government-wide financial statements include not only Charlevoix County itself (known as the primary government), but also the legally separate Road Commission, Grandvue Medical Facility and Northwestern Michigan Community Health Agency, for which Charlevoix County is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Charlevoix County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Charlevoix County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

*Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows* and *outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the governments' near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Charlevoix County maintains 40 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, Commission on Aging fund and Revenue Sharing Reserve Fund, each of which are considered to be major funds. Data from the other 37 governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Charlevoix County adopts an annual appropriated budget for its general and special revenue funds. A budgetary comparison statement has been provided for the general and special revenue funds to demonstrate compliance with this budget.

**Proprietary funds.** Charlevoix County maintains four different types of proprietary funds. Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Charlevoix County uses enterprise funds to account for its Commissary Inmate Trust, Delinquent Tax Revolving fund, Public Transit fund and its Forfeiture & Foreclosures fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each enterprise funds, all of which are considered to be major funds of Charlevoix County.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support Charlevoix County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Charlevoix County**  
**Management's Discussion and Analysis**  
**December 31, 2005**

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**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Charlevoix County, assets exceeded liabilities by \$22,294,370 as of December 31, 2005.

A large portion of Charlevoix County's net assets is its investment in capital assets, less any debt to acquire those assets that is still outstanding. Charlevoix County uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although Charlevoix County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**CHARLEVOIX COUNTY**  
**NET ASSETS**  
**DECEMBER 31, 2005 AND 2004**

	2005			2004		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 19,239,676	\$ 6,702,287	\$ 25,941,963	\$ 16,550,284	\$ 6,263,920	\$ 22,814,204
Capital assets	9,964,246	622,880	10,587,126	11,151,230	827,914	11,979,144
Total assets	<u>\$ 29,203,922</u>	<u>\$ 7,325,167</u>	<u>\$ 36,529,089</u>	<u>\$ 27,701,514</u>	<u>\$ 7,091,834</u>	<u>\$ 34,793,348</u>
Long-term liabilities outstanding	\$ 6,718,176	\$	\$ 6,718,176	\$ 7,077,064	\$	\$ 7,077,064
Other liabilities	7,391,861	124,682	7,516,543	8,515,053	116,337	8,631,390
Total liabilities	<u>14,110,037</u>	<u>124,682</u>	<u>14,234,719</u>	<u>15,592,117</u>	<u>116,337</u>	<u>15,708,454</u>
Net assets:						
Contributed capital						
Invested in capital assets, net of related debt	2,881,070	622,880	3,503,950	3,759,166	827,914	4,587,080
Restricted						
Unrestricted	<u>12,212,815</u>	<u>6,577,605</u>	<u>18,790,420</u>	<u>8,350,231</u>	<u>6,147,583</u>	<u>14,497,814</u>
Total net assets	<u>15,093,885</u>	<u>7,200,485</u>	<u>22,294,370</u>	<u>12,109,397</u>	<u>6,975,497</u>	<u>19,084,894</u>
Total liabilities and net assets	<u>\$ 29,203,922</u>	<u>\$ 7,325,167</u>	<u>\$ 36,529,089</u>	<u>\$ 27,701,514</u>	<u>\$ 7,091,834</u>	<u>\$ 34,793,348</u>

The County's net assets increased by \$4,250,324 during the year. The County also transferred \$433,006 to Grandvue Medical Care Facility for costs related to phase two of construction and \$559,209 to the Village of Boyne Falls for the completion of the drinking water project.

**Charlevoix County**  
**Management's Discussion and Analysis**  
**December 31, 2005**

**CHARLEVOIX COUNTY**  
**CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005 AND 2004**

	2005			2004		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 3,417,673	\$ 374,978	\$ 3,792,651	\$ 3,091,696	\$ 437,709	\$ 3,529,405
Operating grants and contributions	2,883,221	757,378	3,640,599	2,823,114	661,638	3,484,752
Capital grants and contributions	5,530		5,530	6,330		6,330
General revenues:						
Property taxes	11,525,964	356,222	11,882,186	10,488,167	342,999	10,831,166
State shared revenues	633,490		633,490	611,034		611,034
Investment earnings	232,197	80,826	313,023	160,879	54,674	215,553
Miscellaneous revenues	200,126	10,657	210,783	60,626	3,228	63,854
Total revenues	18,898,201	1,580,061	20,478,262	17,241,846	1,500,248	18,742,094
Expenses:						
Governmental activities:						
Legislative	429,310		429,310	235,479		235,479
Judicial	1,910,731		1,910,731	1,809,108		1,809,108
General government	2,548,006		2,548,006	2,562,004		2,562,004
Public safety	4,584,469		4,584,469	4,047,460		4,047,460
Health and welfare	1,073,554		1,073,554	1,007,895		1,007,895
Recreation and culture	124,831		124,831	97,431		97,431
Other	4,964,240		4,964,240	4,427,836		4,379,203
Interest on long-term debt	300,091		300,091	310,220		310,220
Commissary inmate trust		6,460	6,460		12,153	12,153
Public transit fund		1,245,774	1,245,774		1,375,479	1,375,479
Forfeitures & Foreclosures		2,839	2,839			
Total expenses	15,935,232	1,255,073	17,190,305	14,497,433	1,387,632	15,885,065
Increase in net assets before transfers	2,962,969	324,988	3,287,957	2,744,413	112,616	2,857,029
Transfers in (out)	1,062,367	(100,000)	962,367	(195,440)	(79,000)	(274,440)
Increase (decrease) in net assets	4,025,336	224,988	4,250,324	2,548,973	33,616	2,582,589
Equity transfer	(992,215)		(922,215)	(1,518,765)		(1,518,765)
Net assets, beginning	12,060,764	6,975,497	19,036,261	11,030,556	6,941,881	17,972,437
Net assets, ending	\$ 15,093,885	\$ 7,200,485	\$ 22,294,370	\$ 12,060,764	\$ 6,975,497	\$ 19,036,261

Property tax revenue increased 9.70% due to taxable values increasing by 7.02%. Personnel expenses represent approximately 85% of the expenditures. Costs for Health insurance increased 19% and the required contribution to the retirement system increased by 2.5%.

## **Financial Analysis of the Government's Funds**

As noted earlier, Charlevoix County uses fund accounting to insure and demonstrate compliance with finance-related requirements.

**Governmental funds.** The focus of Charlevoix County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Charlevoix County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2005, Charlevoix County's governmental funds reported combined ending fund balances of \$12,571,800. Approximately three-quarters of this total constitutes unreserved fund balance, which is available for spending at Charlevoix County's discretion. The remainder of the fund balance is reserved for specific commitments.

The general fund is the chief operating fund of Charlevoix County. As of December 31, 2005, unreserved fund balance of the general fund was \$2,847,077. As a measure of liquidity, it may be useful to compare the unreserved fund balance to the total fund expenditures. Unreserved fund balance represents 26.8 percent of the total general fund expenditures. In other words, the general fund could operate with in new revenues for approximately four months.

The fund balance of Charlevoix County's general fund increased by \$135,794 during the current fiscal year. Key factors in this growth are as follows:

- Property tax values increased 7.02% over the prior year, resulting in an increase of \$588,000.
- Expenditures for health insurance, liability insurance and retirement were significantly increased from 2004.
- Legislature expenses were up \$190,000.
- Data Processing expenses were up \$152,000
- Emergency services expenses were up \$154,000

**Proprietary funds.** Charlevoix County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the proprietary funds at December 31, 2005 were \$7,200,485. With a majority of the net assets in the Delinquent Tax Revolving Fund, \$5,654,798.

## **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget can be briefly summarized as follows:

- Increase in the Legislative budget due to the settlement of certain law suits and for payment of attorney fees.
- Insurance premiums for Blue Cross/Blue Shied and liability insurance increased significantly during the year.
- Many departments had upgrades in technology.
- Certain departments were amended to match grants received during the year.

**Charlevoix County**  
**Management's Discussion and Analysis**  
**December 31, 2005**

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**Capital Asset and Debt Administration**

**Capital assets.** Charlevoix County's investment in capital assets for its governmental and business type activities as of December 31, 2005, amounts to \$10,587,126 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, vehicles and machinery and equipment.

Major capital asset events during the current fiscal year included the following:

- Software additions in the equalization department for tax assessments
- Two new sheriff vehicles
- A compactor for the recycling center
- New server and computer equipment

**CHARLEVOIX COUNTY**  
**CAPITAL ASSETS (net of accumulated depreciation)**  
**DECEMBER 31, 2005**

	2005			2004		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Land and Land improvements	\$ 497,607	\$	\$ 497,607	\$ 511,538	\$	\$ 511,538
Buildings and improvements	6,727,080	220,656	6,947,736	6,983,894	253,464	7,237,358
Machinery and equipment	1,270,376	402,224	1,672,600	1,242,429	574,450	1,816,879
Construction in progress	1,469,183		1,469,183	2,413,369		2,413,369
	<u>\$ 9,964,246</u>	<u>\$ 622,880</u>	<u>\$ 10,587,126</u>	<u>\$ 11,151,230</u>	<u>\$ 827,914</u>	<u>\$ 11,979,144</u>

**Long-term debt.** At December 31, 2005, Charlevoix County had total bonded debt outstanding of \$7,083,176.

**CHARLEVOIX COUNTY**  
**OUTSTANDING DEBT**  
**DECEMBER 31, 2005**

	2005			2004		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
General obligation	\$ 6,550,000	\$	\$ 6,550,000	\$ 6,850,000	\$	\$ 6,850,000
Water Supply System Bonds	533,176		533,176	542,064		542,064
	<u>\$ 7,083,176</u>	<u>\$</u>	<u>\$ 7,083,176</u>	<u>\$ 7,392,064</u>	<u>\$</u>	<u>\$ 7,392,064</u>

Charlevoix County's total debt decreased by \$308,888 during the year ended December 31, 2005. The key factors were receiving \$6,112 loan for the construction of the Village of Boyne Falls drinking water storage well, and paying \$300,000 of principal on the general obligation bond.

**Economic Factors and Next Years Budgets and Rates**

- The County anticipates an increase in tax revenue for 2006 due to increasing taxable values.
- The cost of health insurance continues to be a growing concern, estimates are that increases in the fiscal year will be approximately 10%.
- Liability insurance is projected to increase due to settlements of lawsuits during the current year.
- Grants for Emergency Services will not be available for 2006.

All of these factors were considered in preparing Charlevoix County's budget for the 2006 fiscal year.

**Requests for Information**

This financial report is designed to provide a general overview of Charlevoix County's finances for all those with an interest in the government's finances. Questions concerning any of the financial information should be address to the County Clerk, 203 Antrim St., Charlevoix, MI 49720.



Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	Road Commission	Northwest Michigan Comm Health Agency	Grandvue Medical Care Facility
\$ 4,867,365	\$ 2,864,060	\$ 7,731,425	\$ 684,003	\$ 1,103,584	\$ 623,848
2,711,732	2,533,592	5,245,324		1,000,000	
8,032,319	887,134	8,919,453			1,215,606
1,247	21,871	23,118	412	736,932	699,537
98,391	2,949	101,340			
325,974	358,096	684,070	577,685		
345,575		345,575			
1,274,505		1,274,505	48,106	243,729	
1,406,560		1,406,560			
	29,859	29,859	728,859	62,493	
131,800	4,726	136,526		19,622	3,050
					1,495,286
44,208		44,208			
497,607		497,607	2,108,418		
6,727,080	220,656	6,947,736			10,354,012
1,270,376	402,224	1,672,600		230,976	677,094
			16,092,467		
1,469,183		1,469,183			
\$ 29,203,922	\$ 7,325,167	\$ 36,529,089	\$ 20,191,844	\$ 3,397,336	\$ 15,068,433

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Road Commission	Northwest Michigan Comm Health Agency	Grandvue Medical Care Facility
<b>LIABILITIES &amp; NET ASSETS</b>						
<b>CURRENT LIABILITIES:</b>						
Accounts payable	\$ 1,149,602	\$ 54,180	\$ 1,203,782	\$ 17,630	\$ 216,195	\$ 273,616
Current portion of bonds and interest payable	365,000		365,000			
Accrued liabilities	292,182	4,517	296,699	27,168	421,545	368,775
Accrued sick and vacation payable	311,672		311,672		345,744	244,684
Due to State		34,514	34,514			
Due to other governmental units	6,915		6,915			664,613
Other liabilities	800	31,471	32,271			91,523
Patient trust monies						18,069
Advances from other funds				118,525		
Advances from other governmental units						
Deferred revenues	5,265,690		5,265,690	2,716	160,941	1,215,606
<b>TOTAL CURRENT LIABILITIES</b>	<b>7,391,861</b>	<b>124,682</b>	<b>7,516,543</b>	<b>166,039</b>	<b>1,144,425</b>	<b>2,876,886</b>
<b>LONG-TERM LIABILITIES</b>						
Bonds payable, less current portion	6,718,176		6,718,176	41,807		
<b>TOTAL LIABILITIES</b>	<b>14,110,037</b>	<b>124,682</b>	<b>14,234,719</b>	<b>207,846</b>	<b>1,144,425</b>	<b>2,876,886</b>
<b>NET ASSETS:</b>						
Invested in capital assets, net of related debt	2,881,070	622,880	3,503,950	18,200,885	230,976	11,031,106
Net Assets:						
Restricted for primary				1,409,775		
Unreserved	12,212,815	6,577,605	18,790,420	373,338	2,021,935	1,160,441
<b>TOTAL NET ASSETS</b>	<b>15,093,885</b>	<b>7,200,485</b>	<b>22,294,370</b>	<b>19,983,998</b>	<b>2,252,911</b>	<b>12,191,547</b>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>\$ 29,203,922</b>	<b>\$ 7,325,167</b>	<b>\$ 36,529,089</b>	<b>\$ 20,191,844</b>	<b>\$ 3,397,336</b>	<b>\$ 15,068,433</b>

**CHARLEVOIX COUNTY, MICHIGAN**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental activities:				
Legislative	\$ 429,310	\$	\$	\$
Judicial	1,910,731	655,774	1,428,801	
General Government	2,548,006	859,055	108,876	1,067
Public Safety	4,584,469	1,008,947	929,559	4,463
Health and Welfare	1,073,554	185,143	415,985	
Recreation and culture	124,831	66,333		
Other	4,964,240	613,830		
Interest on long term debt	300,091	28,591		
Total governmental activities	15,935,232	3,417,673	2,883,221	5,530
Business-type activities:				
Commissary inmate trust	6,460			
Delinquent tax revolving		250,743		
Public Transit	1,245,774	115,835	757,378	
Forfeitures & Foreclosures	2,839	8,400		
Total business-type activities	1,255,073	374,978	757,378	
Total primary government	\$ 17,190,305	\$ 3,792,651	\$ 3,640,599	\$ 5,530
Component units:				
Road Commission	4,394,096		5,729,377	
Northwest Michigan Community Health Agency	14,612,122	9,655,694	4,256,971	
Grandvue Medical Care Facility	10,075,593	8,297,901		10,818
Total component units	\$ 29,081,811	\$ 17,953,595	\$ 9,986,348	\$ 10,818

General Revenues:

Property Taxes – general purposes

Property Taxes – debt purposes

State Shared Revenue

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Miscellaneous revenues

Loss on disposal of fixed assets

Transfers

Total general revenues and transfers

Change in net assets

Equity transfer

Net assets – beginning

Net assets – ending

The accompanying notes are an integral part of these statements.

Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	Road Commission	Northwest Michigan Comm Health Agency	Grandvue Medical Care Facility
\$ (429,310)	\$	\$ (429,310)	\$	\$	\$
173,844		173,844			
(1,579,008)		(1,579,008)			
(2,641,500)		(2,641,500)			
(472,426)		(472,426)			
(58,498)		(58,498)			
(4,350,410)		(4,350,410)			
(271,500)		(271,500)			
(9,628,808)		(9,628,808)			
	(6,460)	(6,460)			
	250,743	250,743			
	(372,561)	(372,561)			
	5,561	5,561			
	(122,717)	(122,717)			
\$ (9,628,808)	\$ (122,717)	\$ (9,751,525)			
			1,335,281	(699,457)	(1,766,874)
			\$ 1,335,281	\$ (699,457)	\$ (1,766,874)
10,684,456	356,222	11,040,678			1,123,946
841,508		841,508			
633,490		633,490			
232,197	80,826	313,023		805,176	64,237
200,126	10,657	210,783		348,872	(863)
1,062,367	(100,000)	962,367			
13,654,144	347,705	14,001,849		1,154,048	1,187,320
4,025,336	224,988	4,250,324	1,335,281	454,591	(579,554)
(992,215)		(992,215)			433,006
12,060,764	6,975,497	19,036,261	18,648,717	1,798,320	12,338,095
\$ 15,093,885	\$ 7,200,485	\$ 22,294,370	\$ 19,983,998	\$ 2,252,911	\$ 12,191,547

**CHARLEVOIX COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2005**

	General	Commission On Aging	Revenue Sharing Reserve	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash	\$ 84,801	\$ 959,077	\$ 750,198	\$ 3,073,289	\$ 4,867,365
Cash Investments	1,725,597	986,135			2,711,732
Receivables:					
Taxes	5,410,197		2,622,122		8,032,319
Accounts	584			663	1,247
Interest	98,391				98,391
Due from State	57,514			268,460	325,974
Due from Federal government	345,575				345,575
Due from other government units	62,512			1,211,993	1,274,505
Due from other funds	468,517		1,108,574	161,148	1,738,239
Prepaid expenses	124,884			6,916	131,800
Amount to be provided for accounts payable				44,208	44,208
<b>TOTAL ASSETS</b>	<b>\$ 8,378,572</b>	<b>\$ 1,945,212</b>	<b>\$ 4,480,894</b>	<b>\$ 4,766,677</b>	<b>\$ 19,571,355</b>
<b>LIABILITIES &amp; FUND EQUITY</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 67,306	\$	\$	\$ 1,082,296	\$ 1,149,602
Accrued liabilities	220,059	5,145		19,665	244,869
Due to other funds		34,618	297,061		331,679
Due to other governmental units				6,915	6,915
Other liabilities				800	800
Advances from other governmental units					
Deferred revenues	5,244,130			21,560	5,265,690
<b>TOTAL LIABILITIES</b>	<b>5,531,495</b>	<b>39,763</b>	<b>297,061</b>	<b>1,131,236</b>	<b>6,999,555</b>
<b>FUND EQUITY:</b>					
<b>Fund balances:</b>					
Reserved for debt service				873,499	873,499
Reserved for capital outlay				529,863	529,863
Unreserved	2,847,077	1,905,449	4,183,833	2,232,079	11,168,438
<b>TOTAL FUND EQUITY</b>	<b>2,847,077</b>	<b>1,905,449</b>	<b>4,183,833</b>	<b>3,635,441</b>	<b>12,571,800</b>
<b>TOTAL LIABILITIES &amp; FUND EQUITY</b>	<b>\$ 8,378,572</b>	<b>\$ 1,945,212</b>	<b>\$ 4,480,894</b>	<b>\$ 4,766,677</b>	<b>\$ 19,571,355</b>

The accompanying notes are an integral part of these statements.

**CHARLEVOIX COUNTY**  
**RECONCILIATION OF TOTAL GOVERNMENT FUND BALANCE**  
**TO NET ASSETS OF GOVERNMENTAL ACTIVITIES**  
**DECEMBER 31, 2005**

*Amounts reported for governmental activities in the statement of net assets are different because:*

Total Governmental Fund Balances	\$ 12,571,800
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Capital assets, net of accumulated depreciation	8,495,063
Construction work in progress:	
Grandvue construction	1,469,183
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds – accrued sick and vacation payable	(311,672)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable – Grandvue Project	(6,550,000)
Bonds payable – Village of Boyne Falls water project	(533,176)
Interest payable	(47,313)
Net Assets of Governmental Activities	<u>\$ 15,093,885</u>

The accompanying notes are an integral part of these statements.

**CHARLEVOIX COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	General	Commission On Aging	Revenue Sharing Reserve	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes	\$ 7,209,413	\$ 620,379	\$ 2,622,122	\$ 1,074,050	\$ 11,525,964
Licenses and permits	62,793			813,660	876,453
Federal grants	749,684	105,693		35,233	890,610
State grants	1,240,130	44,906		1,239,415	2,524,451
Contributions from local units	1,067			28,591	29,658
Charges for services	1,650,488	148,095		372,323	2,170,906
Fines and forfeits	7,835				7,835
Interest and rents	152,532	11,946	3,384	89,472	257,334
Other	139,617	10,000		465,373	614,990
<b>TOTAL REVENUES</b>	<b>11,213,559</b>	<b>941,019</b>	<b>2,625,506</b>	<b>4,118,117</b>	<b>18,898,201</b>
EXPENDITURES:					
Current:					
Legislative	429,310				429,310
Judicial	1,198,308			699,180	1,897,488
General government	2,176,430			257,735	2,434,165
Public safety	2,692,314			1,640,489	4,332,803
Health and welfare	139,234	557,953		376,367	1,073,554
Recreation & cultural				122,203	122,203
Other	3,963,722		462,668	721,057	5,147,447
Principal and interest				619,216	619,216
<b>TOTAL EXPENDITURES</b>	<b>10,599,318</b>	<b>557,953</b>	<b>462,668</b>	<b>4,436,247</b>	<b>16,056,186</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	614,241	383,066	2,162,838	(318,130)	2,842,015
OTHER FINANCING SOURCES (USES):					
Operating transfers in				1,540,814	1,540,814
Operating transfers (out)	(478,447)				(478,447)
Bond proceeds				6,112	6,112
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(478,447)</b>			<b>1,546,926</b>	<b>1,068,479</b>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	135,794	383,066	2,162,838	1,228,796	3,910,494
FUND BALANCE, beginning	2,711,283	1,522,383	2,020,995	2,406,645	8,661,306
FUND BALANCE, ending	\$ 2,847,077	\$ 1,905,449	\$ 4,183,833	\$ 3,635,441	\$ 12,571,800

The accompanying notes are an integral part of these statements.

**CHARLEVOIX COUNTY**  
**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

*Amounts reported for governmental activities in the statement of net assets are different because:*

Net change in fund balance – total governmental funds	\$ 3,910,494
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay recorded as a capital expense	409,110
Expenditures for construction recorded as a capital expense	48,029
Depreciation recorded as an expense	(651,908)
In the Statement of Activities, certain vacation and sick time benefits are measured by amounts earned during the year. In the Governmental funds, however, expenditures for these items are measured by essentially the amounts actually paid. The current year adjustment included in the statement of activities is:	
	(3,402)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.	
Decrease in accrued interest payable	4,125
Bond proceeds received	(6,112)
Bond principal payments made	315,000
Change in net assets of governmental activities	<u>\$ 4,025,336</u>

The accompanying notes are an integral part of these statements.



**CHARLEVOIX COUNTY, MICHIGAN**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2005**

	Commissary Inmate trust	Delinquent Tax Revolving	* Public Transit	Forfeitures & Foreclosures	Total (Memorandum Only)
<b>ASSETS</b>					
Cash	\$ 83,625	\$ 2,219,338	\$ 538,053	\$ 23,044	\$ 2,864,060
Investments		2,533,592			2,533,592
Receivables:					
Taxes		887,134			887,134
Accounts		15,901	5,970		21,871
Interest			2,949		2,949
Due from State			358,096		358,096
Due from other govt units					
Inventories			29,859		29,859
Prepaid expenses			4,726		4,726
Buildings & improvements			656,373		656,373
Machinery & equipment			1,214,480		1,214,480
Accumulated depreciation			(1,247,973)		(1,247,973)
<b>TOTAL ASSETS</b>	<u>\$ 83,625</u>	<u>\$ 5,655,965</u>	<u>\$ 1,562,533</u>	<u>\$ 23,044</u>	<u>\$ 7,325,167</u>
<b>LIABILITIES &amp; FUND EQUITY</b>					
Liabilities:					
Accounts payable	\$	\$	\$ 53,340	\$ 840	\$ 54,180
Checks written in excess of deposits					
Accrued expenses		968	3,549		4,517
Due to State			17,871	16,643	34,514
Other liabilities		199	31,272		31,471
<b>TOTAL LIABILITIES</b>		<u>1,167</u>	<u>106,032</u>	<u>17,483</u>	<u>124,682</u>
Fund Equity:					
Invested in capital assets			622,880		622,880
Retained earnings:					
Unreserved	<u>83,625</u>	<u>5,654,798</u>	<u>833,621</u>	<u>5,561</u>	<u>6,577,605</u>
<b>TOTAL FUND EQUITY</b>	<u>83,625</u>	<u>5,441,798</u>	<u>1,456,501</u>	<u>5,561</u>	<u>7,200,485</u>
<b>TOTAL LIABILITIES &amp; FUND EQUITY</b>	<u>\$ 83,625</u>	<u>\$ 5,655,965</u>	<u>\$ 1,562,533</u>	<u>\$ 23,044</u>	<u>\$ 7,325,167</u>

\* September 30, 2005 year end

The accompanying notes are an integral part of these statements.

**CHARLEVOIX COUNTY, MICHIGAN**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	Commissary Inmate trust	Delinquent Tax Revolving	* Public Transit	Forfeitures & Foreclosures	Total (Memorandum Only)
OPERATING REVENUES:					
Charges for services	\$	\$	\$ 115,835	\$	\$ 115,835
Interest and penalties on taxes		244,135			244,135
Other revenue		6,608		8,400	15,008
TOTAL OPERATING REVENUES		250,743	115,835	8,400	374,978
OPERATING EXPENSES:					
Personal services			779,059		779,059
Other	6,460		261,681	2,839	270,980
Depreciation			205,034		205,034
TOTAL OPERATING EXPENSES	6,460		1,245,774	2,839	1,255,073
OPERATING INCOME (LOSS)	(6,460)	250,743	(1,129,939)	5,561	(880,095)
NON-OPERATING REVENUES (EXPENSES):					
Taxes			356,222		356,222
State Grants			591,255		591,255
Operating grants – federal			166,123		166,123
Interest and rents	3,144	62,307	15,375		80,826
Other			10,657		10,657
Transfers (out)		(100,000)			(100,000)
TOTAL NON-OPERATING REVENUES (EXPENSES)	3,144	(37,693)	1,139,632		1,105,083
NET INCOME (LOSS)	(3,316)	213,050	9,693	5,561	224,988
RETAINED EARNINGS, beginning	86,941	5,441,748	1,446,808		6,975,497
RETAINED EARNINGS, ending	\$ 83,625	\$ 5,654,798	\$ 1,456,501	\$ 5,561	\$ 7,200,485

\* September 30, 2005 year end

The accompanying notes are an integral part of these statements.

**CHARLEVOIX COUNTY, MICHIGAN**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	Commissary Inmate trust	Delinquent Tax Revolving	* Public Transit	Forfeitures & Foreclosures	Total (Memorandum Only)
Cash Flow From Operating Activities:					
Cash received from customers	\$	\$ 196,714	\$ 119,285	\$	\$ 315,999
Cash paid to suppliers & employees	(6,460)		(999,585)	23,044	(983,001)
Net Cash Provided By (Used In)					
Operating Activities	(6,460)	196,714	(880,300)	23,044	(667,002)
Cash Flows From Non-capital Financing					
Activities:					
Local tax levy received			356,222		356,222
State of Michigan			6,359		6,359
Operating grants received			565,274		565,274
Other miscellaneous revenue			2,684		2,684
Transfer out		(100,000)			(100,000)
Net Cash Provided By Noncapital					
Financing Activities		(100,000)	930,539		830,539
Cash Flows From Capital And Related					
Financing Activities:					
Acquisition of capital assets					
Proceeds from sale of fixed assets			1,614		1,614
Capital grants received					
Net Cash Provided By (Used In) Capital					
And Related Financing Activities			1,614		1,614
Cash Flows From Investing Activities:					
Interest on investments	3,144	62,307	15,375		80,826
Increase in long term CD's		(121,422)			(121,422)
Net Cash Flows Provide by (used) by					
Investing Activities	3,144	(59,115)	15,375		(40,596)
NET INCREASE IN CASH	(3,316)	37,599	67,228	23,044	124,555
CASH, beginning	86,941	2,181,739	470,825		2,739,505
CASH, ending	\$ 83,625	\$ 2,219,338	\$ 538,053	\$ 23,044	\$ 2,864,060

\* September 30, 2005 year end

The accompanying notes are an integral part of these statements.

**CHARLEVOIX COUNTY, MICHIGAN**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**  
**(Continued)**

	Commissary Inmate trust	Delinquent Tax Revolving	* Public Transit	Forfeitures & Foreclosures	Total (Memorandum Only)
Reconciliation Of Net Operating Income To Net Cash Provided By Operating Activities:					
Net operating income (loss)	\$ (6,460)	\$ 250,743	\$ (1,129,939)	\$ 5,561	\$ (880,095)
Adjustments To Reconcile Net Operating Income (Loss) To Net Cash Provided By Operating Activities:					
Depreciation			205,034		205,034
(Increase) decrease in:					
Receivables		(52,140)	3,450		(48,690)
Due from other funds					
Inventories			(386)		(386)
Prepaid expenses			130		130
Increase (decrease) in:					
Accounts payable			42,682	840	43,522
Due to state				16,643	16,643
Accrued liabilities		(1,903)	(4,466)		(6,369)
Accrued sick and vacation pay		14	3,195		3,209
Total adjustments		(54,029)	249,639	17,483	213,093
Net Cash Provided By (Used In) Operating Activities	\$ (6,460)	\$ 196,714	\$ (880,300)	\$ 23,044	\$ (667,002)

\* September 30, 2005 year end

The accompanying notes are an integral part of these statements.

**CHARLEVOIX COUNTY, MICHIGAN**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2005**

	Trust and Agency Fund	Auxiliary and Library Trust Fund	District Court Trust Fund
<u>ASSETS</u>			
Cash	\$ 2,239,211	\$ 97,039	\$ 52,683
Investments	1,100,041		
Prepaid expenses	4,110		
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 3,343,362</u>	<u>\$ 97,039</u>	<u>\$ 52,683</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 1,471	\$	\$
Due to other funds	1,384,108		
Due to State	323,924		
Due to other government units:			
Due to cities	454		
Due to library			
Due to schools	496,517		
Due to townships			
Due to Federal government	(1,529)		
Other liabilities	1,138,417	97,039	52,683
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	<u>\$ 3,343,362</u>	<u>\$ 97,039</u>	<u>\$ 52,683</u>

The accompanying notes are an integral part of these statements.

**CHARLEVOIX COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Charlevoix County conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The following is a summary of the significant accounting policies used by the County.

**A. Reporting Entity**

The County of Charlevoix was established April 1, 1840 and officially organized in 1869. The County covers an area of approximately 414 square miles with the County seat located in the City of Charlevoix. The County operates under an elected Board of Commissioners (6 members) and provides services to its more than 26,090 residents in many areas including law enforcement, administration of justice, community enrichment and development, and human services. As required by generally accepted accounting principles, these financial statements present Charlevoix County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Several Special Revenue Funds of the County prepare their financial statements and report their financial activities consistent with the State of Michigan fiscal year ending September 30th. These financial statements include the Housing Program, Commission on Aging, Child Care/Child Care Sub Account, Recovery High, Juvenile Justice/Delinquency Prevention, Crime Victims Rights, Probate Grants and Community Corrections Funds. The Public Transit Fund (an Enterprise Fund) also has a September 30th year end.

Discretely Presented Component Units

The component unit columns in the financial statements included the financial data of the County's other component units. They are reported in a separate column to emphasize that they are legally separate from the County. The governing bodies of both these units have Board members appointed by the County Board.

1. The County Road Commission consists of three Board members, all appointed by the County Board. The County Treasurer also has control over the Road Commission cash.
2. The Northwest Michigan Community Health Agency is a Michigan municipal body and an agency of Antrim, Charlevoix, Emmet and Otsego Counties created, under Act 368, Public Acts of 1978, to provide certain public health services to area residents. Two of the Board members consist of County Commissioners appointed by the County Board. Also, the facilities are located in Charlevoix County and the Health Agency cash is controlled by the County Treasurer.
3. The Grandvue Medical Care Facility is a nonprofit, 113 beds, long-term care facility owned and operated by Charlevoix County. It is governed by the Department of Health Services Board. This Board consists of three members, two of whom are appointed by the County Board of Commissioners and one appointed by the Michigan Governor. Further, the County Board of Commissioners approves the Facility's revenue and expenses as a line item in the County budget.

Complete financial statements for each of the individual component units may be obtained at the entity's administrative offices.

The education services provided to County citizens through several local school districts are separate governmental entities. This report does not include the financial statements of those school districts.

**CHARLEVOIX COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from the goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when a payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the district, except those required to be accounted for in another fund.

The *commission on aging fund* operates for the assistance of the county's elderly.

**CHARLEVOIX COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The *Revenue Sharing reserve fund* was created as a funding vehicle by the State of Michigan to defer State revenue Sharing payments. This will collect property taxes over a three year period and systematically be used to fund the general operations of the general fund.

The government reports the following major proprietary funds:

The *Commissary inmate trust* accounts for the revenue and expenses of operating the commissary at the county jail.

The *delinquent tax revolving fund* accounts for the property taxes purchased from the townships located within the county. This fund collects the taxes and penalties and interest on the delinquent tax.

The *public transit fund* accounts for the operation of the public transportation system.

The *forfeitures & foreclosures* accounts for the proceeds and expenses from property tax reversion services handled through a title check.

Additionally, the government reports the following fund types:

The *agency fund* is custodial in nature and does not present the results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the government holds for others in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The government has not elected to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the governments enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.



**CHARLEVOIX COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**D. Assets, liabilities, net assets or equity**

**1. Deposits and investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short term investments with original maturities of three months or less from the date of acquisition.

Michigan Compiled Laws, Section 129.91, authorizes Charlevoix County to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

**2. Receivables and payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables, including those for enterprise funds, are shown net of an allowance for uncollectibles.

**3. Inventories and prepaid items**

Prepaid items consist of insurance and other items purchased during the current fiscal period and benefit a future fiscal period.

Inventories are accounted for as follows:

County Road Commission

Inventories, which consist of road materials and equipment supplies, are valued at cost (first-in/first-out, and average cost). Costs are recorded as assets when purchased, and charged to expense when used.

Public Transit

Inventories of replacement parts and fuel are valued at the lower of cost or market. Office supplies are not included in inventories.

**CHARLEVOIX COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**D. Assets, liabilities, net assets or equity**

**4. Capital Assets and Depreciation**

Capital assets, which include property, plant and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value to the asset or materially extend assets lives are not capitalized.

The County Road Commission computes depreciation by using the sum-of-the-years digits method for road equipment and the straight-line method for all other fixed assets.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets:</u>	<u>Years</u>
Buildings and improvements	50
Vehicles	10
Office equipment	7
Computer equipment	5

**5. Capitalized Interest**

Generally accepted accounting principles require that interest expenditures incurred during construction of assets be capitalized. They are capitalized only to the extent that interest cost exceeds interest earned on related interest bearing investments. The County did not capitalize interest on fixed assets in the current year.

**6. Long-Term Liabilities**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

**CHARLEVOIX COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**E. Fund Balance Reserve**

The Fund Balance Reserve in the fund financial statements reflects an offset for inventories, prepaid expenses and restricted assets. Under the modified accrual basis of accounting, when inventories and prepaid expenses are reported in the financial statements, they are to be equally offset by a fund balance reserve account. This indicates that even though inventories and prepaid expenses are components of net current assets, they do not represent an "available spendable resource." The fund balance reserves for the various restricted assets indicate that these restricted assets, reported on the financial statements, are designated for a specific use and, therefore, are also not an "available spendable resource."

**F. Use of Estimates in the Preparation of Financial Statements**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

**G. Joint Ventures**

C.C.E. Central Dispatch Authority (the "Authority") is a joint venture formed by, and on behalf of, participating municipalities located within the counties of Charlevoix, Cheboygan, and Emmet under the auspices of the Inter-Governmental Contracts Between Municipalities Act, urban Cooperation Act, and Emergency Telephone Service Enabling Act. Its purpose is to centralize the dispatch of emergency service responders in the three county area.

An agreement executed in July, 1993 established the Authority. Financial transactions commenced in September, 1993.

The Authority is governed by a nine member Board of Directors made up as follows:

Three county commissioners: one appointed from each county board of commissioners. Three city or village representatives: one selected from each county. Three township representatives: one selected from each county.

Under the term of the organizing agreement, each participating county is responsible for funding expenditures of the Authority based on a formula. Currently the formula requires that sixty percent of the Authority's expenditures be divided equally between the three participating counties. The remaining forty percent is divided based on telephone lines in each county. The agreement requires that this funding formula be reviewed every five years.

The County's actual contribution for 2005 was \$160,164.

The Authority is economically dependent on the participating counties to provide adequate funding for developing and operating the centralized dispatch service.

**CHARLEVOIX COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary information**

Annual operating budgets are adopted by the County Commission for the General and Special Revenue Funds in accordance with Public Act 621 of 1978.

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. During the month of July, budget worksheets, which list their last year's budget along with their expenditures for the last six months, are sent to each department. Each department prepares their budget and returns it to the County Clerk. The Clerk totals and puts all the budgets in order and then turns the budgets over to the Commissioners. Then, the respective committees, which are each made up of three Commissioners, meet with the various department heads to discuss any changes to their particular budget.
- b. Public hearings are conducted at the County Building to obtain taxpayer comments.
- c. Prior to December 31st, the budget is legally enacted on a departmental (activity) basis through passage of a resolution.
- d. Budget amendments are made by the County Commission as the need arises during the year.
- e. Formal budgetary integration is employed as a management control device during the year for all budgetary funds. Also, all budgets are adopted on a basis consistent with generally accepted accounting principles.
- f. Budget appropriations lapse at year end.
- g. The original budget was amended during the year in compliance with the County procedures and applicable state laws. The budget to actual expenditures in the financial statements represent the final budgetary expenditures as amended by the County Commission.

The budgets for some funds are administered and amended throughout the year as necessary by separate boards or authorities other than the County Commission.

**B. Excess of expenditures over appropriations**

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the County's actual expenditures and budget expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the County for these budgetary funds were adopted to the activity level.

**CHARLEVOIX COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - continued**

**B. Excess of expenditures over appropriations - continued**

During the year ended December 31, 2005, the County incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

<u>Fund</u>	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund:			
Public safety	\$ 2,613,276	\$ 2,692,310	\$ 79,038
Revenue Sharing Reserve Fund:			
Other	-0-	462,668	462,668

**C. Deficit fund equity**

The following funds have a deficit fund balance as of December 31, 2005:

Probate Grants	\$1,380
Crime Victims Rights	\$4,824
Village of Boyne Falls Water System	\$15,508

**CHARLEVOIX COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3: DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS**

**A. Assets**

**1. Deposits and Investments**

At December 31, 2005, the carrying amount of the County's deposits were \$16,743,316 and the bank balance was \$17,343,403 of which \$1,432,810 was covered by federal depository insurance and \$15,910,593 was uninsured and uncollateralized. The County has \$26,575 in petty cash on hand.

**Investments**

The County had the following investments as of December 31, 2005:

Investment	Maturity	Rating	Fair Value
Money market funds	N/A	1	\$ 1,500,685
U.S. Treasury Bills - FHLB	02/16/2007 *	Aaa/AAA	224,087
U.S. Treasury Bills - FHLB	11/09/2007 *	Aaa/AAA	196,188
U.S. Treasury Bills - FHLB	02/02/2007 *	Aaa/AAA	99,406
U.S. Treasury Bills - FHLB	11/09/2007 *	Aaa/AAA	109,450
U.S. Treasury Bills - FHLB	03/16/2007 *	Aaa/AAA	447,471
U.S. Treasury Bills - FHLB	11/09/2007 *	Aaa/AAA	99,500
U.S. Treasury Bills - FHLB	11/21/2007 *	Aaa/AAA	99,813
U.S. Treasury Bills - FHLB	03/24/2008 *	Aaa/AAA	266,879
U.S. Treasury Bills - FHLB	06/16/2006 *	Aaa/AAA	296,808
Operating LTD Partnership Notes	11/15/2006	BBB/Baa2	244,375
GMAC Notes	10/15/2007	BB/Ba1	211,874
1 – no rating noted			<u>\$ 3,796,536</u>

\* callable within 270 days of purchase

*Interest Rate Risk* – The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk* - State statutes authorize the County to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The County is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above. The county has no investment policy that would further limit its investment choices. The County has two investments at December 31, 2005 that are in violation of the State of Michigan statute. The investments in Operating LTD Partnership notes and GMAC notes have a rating lower than that allowed by the State of Michigan.

**CHARLEVOIX COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3: DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS - Continued**

**A. Assets - Continued**

**1. Deposits and Investments - Continued**

*Concentration of Credit Risk* – The County places no limit on the amount the district may invest in any one issuer.

For purposes of the statement of cash flows, the County considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

County Road Commission

Total Cash deposited at December 31, 2005 amounted to \$684,003 and the bank balance was \$870,414. Of the bank balance \$100,000 was covered by federal depository insurance and \$770,414 was uninsured and uncollateralized.

Northwest Michigan Community Health Agency

Northwest Michigan Community Health Agency's deposits at year-end had a carrying value of \$1,103,584. Of the bank balance, \$916,665 of the Agency's bank deposits were exposed to custodial credit risk because they were uninsured and uncollateralized.

Public Transit

All cash and investments are maintained by the County Treasurer in common cash and investment accounts, except as noted below.

Because of the use of common funds, the Public Transit's funds cannot be distinguished from other funds. The County Treasurer does allocate a portion of interest earned to each fund based upon its proportionate share of the cash balances that are invested. The County Treasurer had funds invested in institutions at September 30, 2005, which provided insurance in amounts in excess of funds held for Transit. Investments were made during the period by the County Treasurer in certificates of deposit, money market accounts and with investment trust funds.

For purposes of cash flows, the Public Transit considers all short-term debt securities purchased with a maturity of three months or less from the year-end to be cash equivalents.

**CHARLEVOIX COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3: DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS - Continued**

**A. Assets - Continued**

**2. Property Taxes Receivable and Property Tax Calendar**

	Mills	Adjusted Levy	Collections	Delinquent Real	Delinquent Personal
Winter Tax					
County:					
General*	4.3819	\$ 6,953,622	\$ 6,735,926	\$ 467,099	\$ 29,950
Medical Care Facility	.7240	1,148,801	1,112,833	77,069	4,948
Public Transit	.2330	369,617	358,042	24,793	1,592
Commission on Aging	.4000	634,659	618,333	42,576	2,734
Recycle Fund	.1500	237,912	231,791	15,958	1,025
Grandvue Bond	.5400	856,807	838,822	57,479	3,690
Summer Tax:					
General fund	1.5425	2,596,121	2,430,574	165,548	-

\*Includes amount collected for the Revenue Sharing Reserve fund

The above collections include tax collections of \$187,747, \$31,020, \$9,983, \$13,591, \$5,097 and \$14,295 captured through the Tax Increment Financing Authority from the General, County Medical Care Facility, Public Transit Funds, Commission on Aging and Recycling Fund, and Grandvue Bond Debt Service Fund, respectively. The 2005 and 2004 Taxable Valuation's were \$1,587,021,381 and \$1,482,800,955, respectively.

The levy may vary due to S.E.V. adjustments ordered by the Michigan Tax Tribunal and/or individual Board of Review adjustments.

Details of the Property tax calendar are as follows: Levy date -December 31st of the prior year; Lien date and due date - December 1st of each year; Collection date - December 1st through February 28th of the following year by local officials, turned delinquent on or about March 1st of each year - delinquent taxes are purchased and collected by the County Treasurer through the Tax Revolving Fund.

Property tax revenues are recognized in the fiscal year for which they have been levied and become available. Available means when due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay current period liabilities. The current period referred to here is a period of time not exceeding 60 days.



**CHARLEVOIX COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3: DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS - Continued**

**A. Assets - Continued**

**Taxes Receivable - Delinquent Tax Revolving Fund**

Recorded taxes receivable in the County's Delinquent Tax Revolving Fund consist of amounts due for the following tax levy years:

2004	\$	802,864
2003		71,895
2002		4,049
2001		2,815
Other years		<u>5,511</u>
	\$	<u><u>887,134</u></u>

**CHARLEVOIX COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3: DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS - Continued**

**A. Assets - Continued**

**3. Capital Assets**

A summary of the changes in the capital assets of the primary government follows:

<b>Primary Government</b>	<b>Balance 01/01/05</b>	<b>Increases</b>	<b>Decreases/ Transfers</b>	<b>Balance 12/31/05</b>
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 322,995	\$	\$	\$ 322,995
Construction in progress	2,413,369	48,029	992,215	1,469,183
Total capital assets not being depreciated	2,736,364	48,029	992,215	1,792,178
Capital assets, being depreciated				
Land improvements	350,394			350,394
Buildings & improvements	9,641,433	2,500		9,643,933
Machinery & equipment	4,346,384	406,610		4,752,994
Total capital assets being depreciated	14,338,211	409,110		14,747,321
Less accumulated depreciation for:				
Land improvements	161,851	13,931		175,782
Buildings & improvements	2,657,539	259,314		2,916,853
Machinery & equipment	3,103,955	378,663		3,482,618
Total accumulated depreciation	5,923,345	651,908		6,575,253
Total capital assets, being depreciated, net	8,414,866	(242,798)		8,172,068
Governmental activities capital assets, net	<u>\$ 11,151,230</u>	<u>\$ (194,769)</u>	<u>\$ 992,215</u>	<u>\$ 9,964,246</u>

See Note 3 section #5 for detail of \$992,215 transfer.

**CHARLEVOIX COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3: DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS - Continued**

**A. Assets - Continued**

**3. Capital Assets - continued**

	Balance 01/01/05	Increases	Decreases	Balance 12/31/05
Business-type activities:				
Capital assets, being depreciated				
Buildings & improvements	\$ 656,373	\$	\$	\$ 656,373
Machinery & equipment	1,277,932		63,452	1,214,480
Total capital assets being depreciated	1,934,305		63,452	1,870,853
Less accumulated depreciation for:				
Buildings & improvements	402,908	32,809		435,717
Machinery & equipment	703,483	172,225	63,452	812,256
Total accumulated depreciation	1,106,391	205,034	63,452	1,247,973
Business-type activities capital assets, net	<u>\$ 827,914</u>	<u>\$ (205,034)</u>	<u>\$</u>	<u>\$ 622,880</u>

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:	
Judicial	\$ 13,243
General government	196,839
Public Safety	251,666
Recreation and culture	2,628
Other	187,532
Total depreciation expense – governmental activities	<u>\$ 651,908</u>
Business-type activities:	
Public transit	<u>\$ 205,034</u>

**CHARLEVOIX COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3: DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS - Continued**

**A. Assets - Continued**

**3. Capital Assets - continued**

**Discretely presented component units**

<b>Road Commission</b>	Balance 01/01/05	Increases	Decreases	Balance 12/31/05
Capital assets, not being depreciated				
Land and improvements	\$ 82,574	\$	\$	\$ 82,574
Land and improvements, infrastructure	1,668,525	357,319		2,025,844
Total capital assets not being depreciated	1,751,099	357,319		2,108,418
Capital assets, being depreciated				
Buildings and improvements	1,554,649	2,022		1,556,671
Road equipment	4,043,617	580,172	158,750	4,465,039
Other equipment	220,686	2,050		222,736
Infrastructure and improvements	20,721,418	1,718,800		22,440,218
Total capital assets being depreciated	26,540,370	2,303,044	158,750	28,684,664
Less accumulated depreciation for:				
Buildings and improvements	471,723	34,828		506,551
Road equipment	3,223,179	320,140	158,750	3,384,569
Other equipment	174,615	8,034		182,649
Infrastructure and improvements	7,562,317	956,111		8,518,428
Total accumulated depreciation	11,431,834	1,319,113	158,750	12,592,197
Total capital assets, being depreciated, net	16,859,635	983,931		16,092,467
Total capital assets, net	<u>\$ 16,859,635</u>	<u>\$ 1,341,250</u>	<u>\$</u>	<u>\$ 18,200,885</u>
<b>Northwest Michigan Community Health Agency</b>	Balance 01/01/05	Increases	Decreases	Balance 12/31/05
Capital assets				
Furniture and equipment	\$ 420,286	\$ 85,055	\$	\$ 505,341
Less accumulated depreciation	(179,566)	(94,799)		(274,365)
Total capital assets	<u>\$ 240,720</u>	<u>\$ (9,744)</u>	<u>\$</u>	<u>\$ 230,976</u>

Depreciation expense was charged to the health services function for \$69,024.

**CHARLEVOIX COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3: DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS – Continued**

**A. Assets - Continued**

**3. Capital Assets - continued**

**Discretely presented component units - continued**

<b>Grandvue Medical Care Facility</b>	Balance 01/01/05	Increases	Decreases	Balance 12/31/05
Capital assets, being depreciated				
Buildings & improvements	\$ 11,402,396	\$ 749,562	\$ 106,832	\$ 12,045,126
Machinery & equipment	1,496,826	165,101	6,154	1,655,773
Construction in progress	51,137		51,137	
Total capital assets being depreciated	12,950,359	863,526	164,123	13,700,899
Less accumulated depreciation for:				
Buildings & improvements	1,480,035	317,911	106,832	1,691,114
Machinery & equipment	882,102	101,868	5,291	978,679
Total accumulated depreciation	2,362,137	419,779	112,123	2,669,793
Total capital assets, being depreciated, net	<u>\$ 10,588,222</u>	<u>\$ 443,747</u>	<u>\$ 52,000</u>	<u>\$ 11,031,106</u>

**4. Interfund Transactions**

Following is a description of the basic types of inter-fund transactions and the related accounting policy:

Transactions for services rendered or facilities provided; these transactions are recorded as revenue in the receiving fund and expenditures in the disbursing fund.

Transactions to transfer revenue or contributions from the fund budgeted to receive them to the fund budgeted to expend them; these transactions are recorded as transfers in and transfers out.

Interfund transactions are not eliminated for financial presentation purposes.

The amounts of inter-fund receivables and payables, and long-term advances are as follows:

<u>Fund</u>	<u>Inter-fund/ Advances Receivable</u>	<u>Fund</u>	<u>Inter-fund Advances Payable</u>
General Fund	\$ 468,517	Commission on Aging	\$ 34,618
Revenue Sharing Reserve	1,108,574	Revenue Sharing Reserve	297,061
Other Governmental Funds	161,148	Trust and Agency	1,384,108
Community Corrections	96,794	Timing difference with 9/30 year ends	119,246
	<u>\$ 1,835,033</u>		<u>\$ 1,835,033</u>

**CHARLEVOIX COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3: DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS – Continued**

**4. Interfund Transactions - continued**

Interfund transfers:

Transfer Out:	Transfer In		Total
	Other Governmental Funds	Component Unit - NMCHA	
General fund	\$ 275,018	\$ 203,429	\$ 478,447
Enterprise fund – delinquent tax revolving	100,000		100,000
Grandvue Medical Care facility	1,190,796		1,190,796
	<u>\$ 1,565,814</u>	<u>\$ 203,429</u>	<u>\$ 1,769,243</u>

Transfers in, Other Governmental Funds, is difference from the total by \$25,000, which is due to a timing difference in the general fund transferring funds to the child care fund, which is a September 30<sup>th</sup> year end fund.

**5. Equity Transfer to Grandvue Medical Care Facility and Village of Boyne Falls**

**Grandvue Medical Care Facility**

In 2001, Grandvue Medical Care Facility began renovation and construction of a building addition, which would correct building deficiencies, create an Alzheimer unit, and add hospice and respite beds. The estimated cost of the project is approximately \$10,500,000 and will be completed in three phases. Costs which exceed the proceeds from the bond will be financed by the Facility. The County Capital Projects fund issued bonds totaling \$7,500,000. A millage has been approved to fund principal and interest payments. During construction the County Capital Projects fund is responsible for all the activities relating to the project including the approval of invoices. Upon completion of each phase of the project, Grandvue Medical Care Facility will record capitalized assets as a transfer from the County. The related debt will not transfer to the Facility.

In July 2003, the first phase of the renovation project was completed. A total of \$6,054,013 of construction casts were transferred from the County to the Facility and recorded as capital assets of the Facility as of December 31, 2003. A total of \$1,590,239 of construction costs was transferred from the County to the Facility and recorded as capital assets of the Facility during 2004. In April 2005, the fourth and final phase was completed. A total of \$433,006 of construction costs was transferred from the County during 2005. Capitalized interest totaled \$253,963 for 2005 and 2004.

**Village of Boyne Falls**

In 2003, the County started a project on behalf of the Village of Boyne Falls to repair and replace water wells and drinking water systems. The project was completed during 2005. The County transferred the entire cost of construction, \$559,209, to the Village of Boyne Falls as of December 31, 2005. It is the responsibility of the Village to maintain and operate the system.

**CHARLEVOIX COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3: DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS - Continued**

**B. Liabilities**

**1. Long-Term Debt**

General obligation debts and other long-term obligations currently outstanding are as follows:

\$7,500,000 2001 Medical Care Facility, serial bonds payable in annual installments of \$150,000 to \$850,000 through May 1, 2016; interest at 4.25% to 5.50%	\$ 6,550,000
\$595,000 2005 Water Supply System, serial bonds payable in annual installments of \$15,000 to \$30,000 through October 1, 2033; interest at 2.50%	<u>533,176</u>
Total bonded debt	7,083,176
Termination benefits	<u>311,672</u>
	<u><u>\$ 7,394,848</u></u>

The annual requirements to amortize long-term obligations outstanding as of December 31, 2005 including interest of \$2,049,624 are as follows:

	<u>Principal amount</u>	<u>Interest amount</u>	<u>Total</u>
Year ending June 30:			
2006	\$ 365,000	\$ 290,500	\$ 655,500
2007	415,000	273,250	688,250
2008	440,000	254,312	694,312
2009	490,000	233,688	723,688
2010	565,000	210,250	775,250
2011 – 2015	3,575,000	666,061	4,241,061
2016 – 2020	950,000	64,313	1,014,313
2021 – 2025	105,000	33,750	138,750
2026 – 2030	125,000	19,375	144,375
2031 – 2033	<u>53,176</u>	<u>4,125</u>	<u>57,301</u>
	7,083,176	2,049,624	9,132,800
Compensated absences	<u>311,672</u>		<u>311,672</u>
	<u><u>\$ 7,394,848</u></u>	<u><u>\$ 2,049,624</u></u>	<u><u>\$ 9,444,472</u></u>

**CHARLEVOIX COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3: DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS - Continued**

**B. Liabilities**

**1. Long-Term Debt**

The following is a summary of the changes in liabilities reported in the general long-term debt account group:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Governmental Activities:					
Bonds payable:					
Medical Care Facility	\$ 6,850,000	\$	\$ 300,000	\$ 6,550,000	\$ 350,000
Water Supply System	542,064	6,112	15,000	533,176	15,000
	<u>7,392,064</u>	<u>6,112</u>	<u>315,000</u>	<u>7,083,176</u>	<u>365,000</u>
Total bonds payable	7,392,064	6,112	315,000	7,083,176	365,000
Other liabilities:					
Termination benefits	308,270	3,402		311,672	
	<u>308,270</u>	<u>3,402</u>	<u></u>	<u>311,672</u>	<u></u>
Total long-term liabilities	<u>\$ 7,700,334</u>	<u>\$ 9,514</u>	<u>\$ 315,000</u>	<u>\$ 7,394,848</u>	<u>\$ 365,000</u>

The general long-term debt and other long-term obligations of Charlevoix County's two special revenue fund component units, and the changes therein, may be summarized as follows:

	Balance 01/01/05	Additions	Deletions	Balance 12/31/05
Compensated Absences:				
County Road Fund	\$ 43,063	\$	\$ 1,256	\$ 41,807
Northern Michigan Community Health Agy.	415,583		69,839	345,744
	<u>415,583</u>	<u></u>	<u>69,839</u>	<u>345,744</u>
Total Long-Term Debt	<u>\$ 458,646</u>	<u>\$</u>	<u>\$ 71,095</u>	<u>\$ 387,551</u>



**CHARLEVOIX COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3: DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS - Continued**

**B. Liabilities – Continued**

**2. Lease Commitments - Northwest Michigan Community Health Agency**

Northwest Michigan Community Health Agency Leases office facilities and certain office equipment. Expenditures incurred for space costs are as follows:

	<u>2005</u>
Minimum rentals	\$ 308,254
Repairs, maintenance and utilities	<u>194,882</u>
Totals	<u>\$ 503,136</u>

The following is a schedule, by years, of future minimum rental payments required under leases having remaining noncancelable lease terms in excess of one year as of December 31, 2005:

	<u>Lease Payments</u>	<u>Sub-lease Payments</u>	<u>Net Payable</u>
2006	448,279	45,959	402,320
2007	448,387	15,719	432,668
2008	441,455	8,462	432,993
2009	439,154		439,154
2010	439,154		439,154
2011 – 2015	1,809,347		1,809,347
2016 – 2020	1,170,200		1,170,200
2021 and thereafter	56,000		56,000

**CHARLEVOIX COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4: SEGMENT INFORMATION FOR THE ENTERPRISE FUND**

The County provides medical care and housing services to the elderly through the Grandvue Medical Care Facility Fund. Operating revenues are generated through private payments, Medicaid, or private insurance companies for services provided.

The County offers goods for purchase to the inmates of the county jail. Operating revenues were generated by charges for services.

The Delinquent tax revolving fund purchases delinquent taxes from the local taxing authorities and then seeks payment. The fund collects interest and penalties on the delinquent balance.

The County provides public transportation to the citizens throughout the County through the Public Transit Fund. For the year ended September 30, 2005, operating revenues were generated primarily through fares charged.

Segment information for the above Enterprise Funds for the year ended December 31, 2005 is as follows:

	Component Unit				
	Grandvue Medical Care Facility	Commissary Inmate Trust	Delinquent Tax Revolving	Public Transit	Forfeitures & Foreclosures
Operating revenues	\$ 8,297,901	\$	\$ 250,743	\$ 115,835	\$ 8,400
Depreciation	419,779			205,034	
Operating income (loss)	(1,777,692)	(6,460)	250,743	(1,129,939)	5,561
Operating grants:					
State of Michigan				591,255	
U.S. Dept. of Transportation				166,123	
Tax revenues	1,123,946			356,222	
Net income (loss)	(579,554)	(3,316)	213,050	9,693	5,561
Property, plant, and equipment					
Additions	863,526				
Net working capital	1,160,441	83,625	5,654,798	833,621	5,561
Total assets	15,068,433	83,625	5,655,965	1,562,533	23,044
Total equity:					
Invested in capital assets	11,031,106			622,880	
Retained earnings	1,160,441	83,625	5,654,798	1,456,501	5,561

**CHARLEVOIX COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5: EMPLOYEES RETIREMENT SYSTEM**

COUNTY (primary government)

**A. Plan Description**

The County participates in the agent multiple-employer Michigan Municipal Employees Retirement System (the "system"). Substantially, all employees meeting service requirements are covered by the plan, which provides retirement benefits based upon an employee's five-year final average compensation and credited years of service. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the System at 447 N. Canal Road, Lansing, MI 48917 or by calling 1-517-622-4401.

**B. Annual Pension Cost**

For the year ended December 31, 2005, 2004 and 2003, the Agency's annual pension cost of \$859,236, \$609,050 and \$467,510, respectively, for the plan was equal to the Agency's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 1998, using the entry age normal actuarial cost method.

Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 8% a year compounded annually, (b) projected salary increases of 4.5% a year compounded annually, attributable to inflation, (c) additional projected salary increases of up to 4.2% a year, attributable to seniority/merit and (d) the assumption that benefits will increase 2.5% per year (annually) after retirement for persons under certain benefit packages. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll contributions over 30 years, and adjusts to the effects of inflation on future benefits and future normal costs.

**C. Three Year Trend Information**

	Fiscal year ended December 31:		
	2005	2004	2003
Annual pension cost	\$ 859,236	\$ 609,050	\$ 467,510
Percentage of APC contributed	100%	100%	100%
Actuarial value of assets	14,400,877	13,138,407	10,034,849
Actuarial accrued liability	20,892,801	19,368,027	15,512,017
(Unfunded) / Overfunded AAL	(6,491,924)	(6,229,620)	(5,477,168)
Percent of funded AAL	45.08%	47.42%	54.58%
Covered payroll	8,098,253	7,611,696	6,338,355

**CHARLEVOIX COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5: EMPLOYEES RETIREMENT SYSTEM - Continued**

**COUNTY ROAD COMMISSION**

**A. Plan Description**

The Road Commission's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Road Commission participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board, Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

**B. Funding Policy**

The Road Commission is required to contribute at an actuarially determined rate; the current rate is 10.38% of annual covered payroll. Employees are currently not required to contribute to the plan. The contribution requirements of the Road Commission are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members, if any, are established and may be amended by the Road Commission depending on the MERS contribution program adopted by the Road Commission.

**C. Annual Pension Cost**

For the year ended December 31, 2005, the Road Commission's annual pension cost of \$135,328 for MERS was equal to the Road Commission's required contributions. The Road Commission's actual contribution for 2005 was \$155,640. The required contribution was determined as part of the December 31, 2005 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% a year compounded annually, attributable to inflation, (c) additional projected salary increases of 0.0% to 4.2% per year, depending on age, attributable to seniority/merit and (d) the assumption that benefits will increase 2.5% per year after retirement for persons under Benefit E-1 or E-2. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect market value. The Road Commission's actuarial accrued liability is \$1,235,538 as of December 31, 2005, the date of the last actuary report.

**D. Three-year Trend Information**

	Fiscal year ended December 31:		
	2004	2003	2002
Annual Pension cost	\$ 135,328	\$ 129,708	\$ 110,628
Actuarial value of assets	4,355,228	4,225,977	4,118,618
Actuarial accrued liability	5,590,766	4,907,293	4,738,978
(Unfunded) / Overfunded AAL	(1,235,538)	(681,316)	(620,360)
Percent of funded AAL	78%	86%	87%
Covered payroll	1,292,199	1,308,565	1,271,667
UAAL as a % of covered payroll	96%	52%	49%

The Road Commission's actual contribution amount was computed under the Accelerated Funding Credits program adopted by MERS in 1984. The program allows municipalities with funded percentages of 110% or greater to make no contributions.

**CHARLEVOIX COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5: EMPLOYEES RETIREMENT SYSTEM - Continued**

**NORTHWEST MICHIGAN COMMUNITY HEALTH AGENCY**

The Agency participates on the agent multiple-employer Michigan Employees Retirement System (the "System"). Substantially, all employees meeting service requirements are covered by the plan, which provides retirement benefits based upon an employee's five-year final average compensation and credited years of services. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the System at MERS, 447 North Canal Road, Lansing, MI 48917 or by calling 1-517-622-4401.

**Annual Pension Cost**

For the year ended December 31, 2005, the Agency's annual pension cost of \$107,522 for the plan was equal to the Agency's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using the entry age normal funding method.

Significant actuarial assumptions used in valuation include (a) a rate of return on the investment of present and future assets of 8% a year compounded annually, (b) projected salary increases of 4.5% a year compounded annually, attributable to inflation, (c) additional projected salary increases of up to 4.2% a year, attributable to seniority/merit and (d) the assumption that benefits will increase 2.5% per year (annually) after retirement for persons under certain benefit packages. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll contributions over 30 years, and adjusts to the effects of inflation on future benefits and future normal costs.

**NORTHWEST MICHIGAN COMMUNITY HEALTH AGENCY - Continued**

Three-year trend information for fiscal years ended December 31:

	Fiscal year ended December 31:		
	2004	2003	2002
Annual Pension cost	\$ 107,522	\$ 96,195	\$ 82,689
Actuarial value of assets	3,554,727	3,395,860	3,221,817
Actuarial accrued liability	4,046,902	4,077,328	3,699,756
(Unfunded) / Overfunded AAL	(492,175)	(681,468)	(477,939)
Percent of funded AAL	88%	83%	87%
Covered payroll	818,484	865,781	791,305
UAAL as a % of covered payroll	60%	79%	60%

**CHARLEVOIX COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5: EMPLOYEES RETIREMENT SYSTEM - Continued**

**PUBLIC TRANSIT**

**A. Plan Description**

The employees of the Public Transit are covered under the County's pension plan with the State of Michigan Municipal Employees Retirement System.

The County contributed 17.10 percent of covered gross payroll for 2005 which were included in the General Fund's pension cost.

Other pension information as required by GASB No. 5 is not available since the Public Transit employees are covered under the overall County pension plan.

**GRANDVUE MEDICAL CARE FACILITY**

As disclosed in Note 1, the Facility is a component unit of Charlevoix County. Charlevoix County, including the Facility, participates in the Michigan Municipal Employee Retirement System. Although an actuarial valuation is performed annually for Charlevoix County, specific data for the Facility is not available.

Disclosures required by Governmental Accounting Standards Board Statement No. 5 with respect to pension data have not been included in these financial statements.

The Facility contributed \$299,056 and \$205,717 to the plan for the years ended December 31, 2005 and 2004, respectively.

**CHARLEVOIX COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6: DEFERRED COMPENSATION PLAN**

County (Primary Government)

In 1991 the County offered its employees a deferred compensation plan created in accordance with the Internal Revenue Code Section 457. The plan is available to all employees. The plan allows employees to defer a portion of their salary until a future date. It becomes available to the employee at death, termination, retirement or disability.

All amounts deferred under the plan, all investments purchased with those amounts, and all income attributable to those amounts are solely the property of the County, subject to the claims of general creditors of the County in an amount equal to the fair market value of the deferred account for each participant.

The County has no liability for losses under the plan but does have the duty of due care that would be required as a prudent investor. The County has paid the amounts deferred by employees to a plan administrator. Therefore, the assets are segregated and the County feels that is highly unlikely that the assets would be used to satisfy the claims of general creditors. The balances in the plan at December 31, 2005 and 2004 were \$3,399,244 and \$2,823,341, respectively.

**NORTHWEST MICHIGAN COMMUNITY HEALTH AGENCY**

The Agency offers their employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all employees and permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

**NOTE 7: COST ALLOCATION PLANS**

A County-wide cost allocation plan prepared by a consulting firm for the year ending December 31, 1996 was prepared in accordance with the policies and procedures contained in OMB Circular A-87. A consistent approach was followed in treating a given type of cost as direct or indirect and that in no case have costs charged as direct costs of Federally supported programs been included in the indirect costs reflected in the plan.

**NOTE 8: RECLASSIFICATION OF AMOUNTS**

Certain amounts previously reported have been reclassified to conform to the 2005 presentation.

**CHARLEVOIX COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 9: CONTINGENT LIABILITIES**

The County Road Commission has received significant financial assistance from state agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the Commission. In the opinion of management, any such disallowed claims could have a material effect on any of the financial statements included herein or on the overall financial position of the Commission at December 31, 2005.

**NOTE 10: RISK MANAGEMENT**

Public Transit

During the year ended September 30, 1988, Charlevoix County Public Transit and eighteen other transportation authorities formed the Michigan Transit Pool (MTP). There are two insurance programs offered by MTP. Charlevoix County Public Transit participates in both the Direct Property Damage Program, which is a self-insured fund providing insurance coverage for physical damage and comprehensive losses to the Authority's fleet of vehicles, and the Michigan Transit Pool Liability Trust Fund providing general liability coverage.

The Direct Property Damage Program directly allocates losses incurred by a member between \$2,000 (the amount of the per-occurrence deduction) and \$10,000 (the risk-shared threshold). Risk shared losses include losses above the \$10,000 not covered by excess reinsurance. Risk shared losses will be allocated between all members participating in the collision and primary comprehensive coverage program based upon a member's average book value divided by total participating average book value, multiplied by the total amount of risk shared losses. The actual calculation of risk shared losses will extend beyond the fiscal year-end to encompass expenses incurred to close all claims for the policy period. In the event of excess losses, all pooled losses will first be paid out of initial deposits. Should losses exceed this amount, the contingency margin will be used to pay losses. In this event, all systems will be billed the amount necessary to replenish the contingency margin within thirty (30) days.

Each authority contributes to the Liability Trust Fund an annual premium which is determined on an actuarial method based upon the Authority's vehicle hours, vehicle miles and number of passengers for the preceding year. During the initial year of the pool, the Authority also contributed to the Contingency Reserve of the pool, which was intended to be a one time payment. Claims less than \$50,000 are deducted directly from the applicable Authority's premium deposit. Claims over \$50,000 are paid out of a pool in which all authorities participate. Each authority is credited with interest earned on its premium deposit and is charged for its share of claims as well as administrative expenses. If a refund or additional premium is due to/from the Authority, such adjustment will be made approximately six months after the pool's fiscal year-end of November 30.

County (Primary Government)

The County (primary government) is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The County has purchased commercial insurance to cover these risks. The County settled two lawsuits during the year in excess of their deductible.



**CHARLEVOIX COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 10: RISK MANAGEMENT - continued**

Road Commission

The Road Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2005, the Road Commission participated in the Michigan County Road Commission Self Insurance Pool (MCRCSIP), a public entity risk pool currently operating as a common risk management program for road commissions in the State of Michigan. The Road Commission pays an annual premium to SIP for its general insurance coverage. The SIP is self-sustaining through member premiums.

During 2005 the Road Commission also participated in the County Road Association Self Insurance Fund (MCRCSIF) for its workers' compensation benefits. The SIF is also a common risk management program for road commissions in the State of Michigan and is self-sustaining through premiums.

In the event of unusually high claims, both the SIP and the SIF have the authority to bill the member road commissions retroactively. The Road Commission continues to carry commercial insurance for other risks of loss, including employee health and accident and life insurance.

Grandvue Medical Care Facility

The Grandvue Medical Care Facility is exposed to various risks of loss related to property loss, torts, errors and omissions, as well as medical benefits provided to employees. The Facility has purchased commercial insurance to cover these risks. Settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Facility is self insured for employee injuries (workers' compensation). The plan is covered by a stop-loss policy that covers individual claims over \$350,000 or total claims in excess of \$676,260 to a maximum of \$3,000,000.

Changes in the estimated liability for the year ended December 31, 2005 and 2004 were as follows:

	<u>2005</u>	<u>2004</u>
Estimated liability – beginning of year	\$ 31,000	\$ 31,000
Estimated claims incurred, including changes		
In estimates	(106,115)	(115,758)
Claim payments	<u>194,115</u>	<u>115,758</u>
Estimated liability – end of year	<u>\$ 119,000</u>	<u>\$ 31,000</u>

**CHARLEVOIX COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 10: RISK MANAGEMENT - Continued**

Northwest Michigan Community Health Agency

The Agency is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Agency is a member in the Michigan Municipal Risk Management Authority (MMRMA) for risk of loss relating to its property and general liability (except auto liability and vehicle physical damage).

The MMRA is a municipal self-insurance entity operating pursuant to the State of Michigan Public Act 138 of 1982. The purpose of the MMRMA is to administer a risk management fund, which provides members with loss protection for general and property liability.

The Agency has joined with numerous other government agencies in Michigan as a participant in MMRMA's "State Pool." Members of the State Pool do not have individual self-insured retention amounts other than a \$250 deductible per occurrence of liability coverage and a \$250 deductible per occurrence of property coverage.

State Pool members' limits of coverage (per occurrence) are \$5 million for liability and as much as \$5 million for property. Flood and earthquake coverage limits are higher. If a covered loss exceeds these limits or, if for any reason, MMRMA's resources are depleted, the payment of all unpaid losses is the sole obligation of the Agency.

The Agency carries commercial insurance for all other risks of loss including workers' compensation, liability and health insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past fiscal years.

**NOTE 11: COMPARATIVE DATA**

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the County's financial position and operations.

**NOTE 12: PRIOR PERIOD ADJUSTMENT**

**Primary Government**

During the year, it was discovered that an error occurred in the computer processing of a payment of a retirement payment in 2004. The check was issued to the Michigan Employees Retirement Program, but was not properly recorded in the general ledger. The adjustment reduced net assets as of December 31, 2004 by \$48,633.

**Northwest Michigan Community Health Agency**

In order to maintain the integrity of the current program year's revenue and expenditures, any collections or payments relating to prior programs are recorded in the prior year activity account. These items increased revenues by \$135,671 for the year ended December 31, 2005.

**NOTE 13: CONCENTRATIONS – NORTHWEST MICHIGAN COMMUNITY HEALTH AGENCY**

Approximately 70% of charges for services rendered revenue and 86% of the December 31, 2005 accounts receivable balance were derived from reimbursements for providing medical services to Medicare and Medicaid recipients. Changes in the healthcare financing systems are expected to have an effect on the Agency's future revenues.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CHARLEVOIX COUNTY, MICHIGAN**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**- BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
REVENUES:				
Taxes	\$ 7,139,304	\$ 7,139,304	\$ 7,209,413	\$ 70,109
Licenses and permits	65,500	65,500	62,793	(2,707)
Federal grants	487,000	487,000	749,684	262,684
State grants	945,719	1,001,719	1,240,130	238,411
Contributions from local units	7,500	7,500	1,067	(6,433)
Charges for services	1,823,408	1,828,408	1,650,488	(177,920)
Fines and forfeits	6,000	6,000	7,835	1,835
Interest and rents	100,000	100,000	152,532	52,532
Other	479,559	479,559	139,617	(339,942)
<b>TOTAL REVENUES</b>	<b>11,053,990</b>	<b>11,114,990</b>	<b>11,213,559</b>	<b>98,569</b>
EXPENDITURES:				
Current:				
Legislative	196,900	441,900	429,310	12,590
Judicial	1,243,439	1,219,867	1,198,308	21,559
General government	2,150,146	2,199,155	2,176,430	22,725
Public safety	2,478,576	2,613,276	2,692,310	(79,038)
Health and welfare	125,184	144,284	139,234	5,050
Other	3,528,032	3,988,998	3,963,722	25,276
<b>TOTAL EXPENDITURES</b>	<b>9,722,277</b>	<b>10,607,480</b>	<b>10,599,318</b>	<b>8,162</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,331,713	507,510	614,241	90,407
OTHER FINANCING SOURCES (USES):				
Operating transfers in				
Operating transfers (out)	(1,331,713)	(478,447)	(478,447)	
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,331,713)</b>	<b>(478,447)</b>	<b>(478,447)</b>	
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$	\$ 29,063	135,794	\$ 106,731
FUND BALANCE, beginning			2,711,283	
FUND BALANCE, ending			\$ 2,847,077	

**CHARLEVOIX COUNTY, MICHIGAN**  
**COMMISSION ON AGING FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**- BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
REVENUES:				
Taxes	\$ 650,000	\$ 650,000	\$ 620,379	\$ (29,621)
Federal grants	94,641	94,641	105,693	11,052
State grants	28,900	28,900	44,906	16,006
Charges for services	125,892	125,892	148,095	22,203
Interest and rents	35,000	35,000	11,946	(23,054)
Other	1,000	1,000	10,000	9,000
<b>TOTAL REVENUES</b>	<b>935,433</b>	<b>935,433</b>	<b>941,019</b>	<b>5,586</b>
EXPENDITURES:				
Current:				
Health and welfare	1,005,192	1,005,192	557,953	447,239
<b>TOTAL EXPENDITURES</b>	<b>1,005,192</b>	<b>1,005,192</b>	<b>557,953</b>	<b>447,239</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (69,759)</u>	<u>\$ (69,759)</u>	383,066	<u>\$ 452,825</u>
FUND BALANCE, beginning			<u>1,522,383</u>	
FUND BALANCE, ending			<u>\$ 1,905,449</u>	

**CHARLEVOIX COUNTY, MICHIGAN**  
**REVENUE SHARING RESERVE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**- BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
REVENUES:				
Taxes	\$	\$	\$ 2,625,506	\$ 2,625,506
EXPENDITURES:				
Current:				
Other			462,668	(462,668)
TOTAL EXPENDITURES			462,668	(462,668)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$	\$	2,162,838	\$ 2,162,838
FUND BALANCE, beginning			2,020,995	
FUND BALANCE, ending			\$ 4,183,833	

## **SUPPLEMENTARY DATA SECTION**

**CHARLEVOIX COUNTY, MICHIGAN**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2005**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total
<b>ASSETS</b>				
Cash	\$ 2,179,731	\$ 815,745	\$ 77,813	\$ 3,073,289
Accounts receivable	388	275		663
Taxes receivable				
Due from other funds	103,669	57,479		161,148
Due from State	268,460			268,460
Due from other governmental units	21,197		1,190,796	1,211,993
Prepaid expenses	6,916			6,916
Amount to be provided for accounts payable	44,208			44,208
<b>TOTAL ASSETS</b>	<u>\$ 2,624,569</u>	<u>873,499</u>	<u>\$ 1,268,609</u>	<u>\$ 4,766,677</u>
<b>LIABILITIES &amp; FUND BALANCE</b>				
Liabilities:				
Accounts payable	\$ 395,463		\$ 686,833	\$ 1,082,296
Accrued expenses	19,665			19,665
Other accrued expenses			800	800
Due to other governmental funds	6,915			6,915
Long-term advances from State				
Deferred revenue	21,560			21,560
<b>TOTAL LIABILITIES</b>	<u>443,603</u>		<u>687,633</u>	<u>1,131,236</u>
Fund Balance:				
Reserved	459,562	873,499	70,301	1,403,362
Unreserved	1,721,404		510,675	2,232,079
<b>TOTAL FUND BALANCE</b>	<u>2,180,966</u>	<u>873,499</u>	<u>580,976</u>	<u>3,635,441</u>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<u>\$ 2,624,569</u>	<u>\$ 873,499</u>	<u>\$ 1,268,609</u>	<u>\$ 4,766,677</u>



**CHARLEVOIX COUNTY, MICHIGAN**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total
REVENUES:				
Taxes	\$ 232,542	\$ 841,508	\$	\$ 1,074,050
License and permits	813,660			813,660
Federal grants	35,233			35,233
State grants	1,239,415			1,239,415
Contributions from local units		28,591		28,591
Charges for services	372,323			372,323
Fines & forfeits				
Interest & rents	50,803	25,234	13,435	89,472
Other	444,236		21,137	465,373
<b>TOTAL REVENUES</b>	<b>3,188,212</b>	<b>895,333</b>	<b>34,572</b>	<b>4,118,117</b>
EXPENDITURES:				
Judicial	699,180			699,180
General government	257,735			257,735
Public safety	1,640,489			1,640,489
Health & welfare	376,367			376,367
Recreational & cultural	122,203			122,203
Other	644,713	619,629	75,931	1,340,273
<b>TOTAL EXPENDITURES</b>	<b>3,740,687</b>	<b>619,629</b>	<b>75,931</b>	<b>4,436,247</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(552,475)	275,704	(41,359)	(318,130)
OTHER FINANCING SOURCES:				
Operating transfers in	350,018		1,190,796	1,540,814
Bond proceeds			6,112	6,112
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>350,018</b>		<b>1,196,908</b>	<b>1,546,926</b>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(202,457)	275,704	1,155,549	1,228,796
FUND BALANCE, beginning	2,383,423	597,795	(574,573)	2,406,645
FUND BALANCE, ending	\$ 2,180,966	\$ 873,499	\$ 580,976	\$ 3,635,441

**CHARLEVOIX COUNTY, MICHIGAN  
COMBINING BALANCE SHEETS  
NONMAJOR SPECIAL REVENUE FUNDS  
DECEMBER 31, 2005**

	State Survey and Remonu - mentation	Whiting Park	Friend of the Court	Recycling Fund	Economic Development	Public Improve - Ment	Building Department	Unemploy - Ment	Register of Deeds Automation Fund
<b>ASSETS</b>									
Cash	\$	\$ 17,883	\$ 82,767	\$ 215,715	\$ 35,585	\$ 534,889	\$ 236,870	\$ 113,885	\$ 61,645
Accounts receivable		26							
Due from other funds									
Due from State	81,988		320						
Due from other governmental units									
Prepaid expenses		458					6,458		
Amount to be provided for accounts payable									
<b>TOTAL ASSETS</b>	<u>\$ 81,988</u>	<u>\$ 18,367</u>	<u>\$ 83,087</u>	<u>\$ 215,715</u>	<u>\$ 35,585</u>	<u>\$ 534,889</u>	<u>\$ 243,328</u>	<u>\$ 113,885</u>	<u>\$ 61,645</u>
<b>LIABILITIES &amp; FUND BALANCE</b>									
Liabilities:									
Accounts payable	\$ 79,815	\$	\$	\$ 809	\$	\$ 42,897	\$ 279	\$	\$ 1,139
Accrued expenses		1,106					18,419		
Due to other governmental funds		457					6,458		
Deferred revenue									
<b>TOTAL LIABILITIES</b>	<u>79,815</u>	<u>1,563</u>		<u>809</u>		<u>42,897</u>	<u>25,156</u>		<u>1,139</u>
Fund Balance:									
Reserved						231,696			
Unreserved	<u>2,173</u>	<u>16,804</u>	<u>83,087</u>	<u>214,906</u>	<u>35,585</u>	<u>260,296</u>	<u>218,172</u>	<u>113,885</u>	<u>60,506</u>
<b>TOTAL FUND BALANCE</b>	<u>2,173</u>	<u>16,804</u>	<u>83,087</u>	<u>214,906</u>	<u>35,585</u>	<u>491,992</u>	<u>218,172</u>	<u>113,885</u>	<u>60,506</u>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<u>\$ 81,988</u>	<u>\$ 18,367</u>	<u>\$ 83,087</u>	<u>\$ 215,715</u>	<u>\$ 35,585</u>	<u>\$ 534,889</u>	<u>\$ 243,328</u>	<u>\$ 113,885</u>	<u>\$ 61,645</u>

**CHARLEVOIX COUNTY, MICHIGAN  
COMBINING BALANCE SHEETS  
NONMAJOR SPECIAL REVENUE FUNDS  
DECEMBER 31, 2005**

	Sheriff ATV Project	911 Fund	D.A.R.E	Tracking Dog	Local Corrections Officer's Training	Drug Law Enforcement	Law Library	Housing Program	Transportation Authority
<u>ASSETS</u>									
Cash	\$ 3,033	\$ 512,181	\$ 3,322	\$ 196	\$	\$ 10,785	\$ 5,211	\$	\$ 32,046
Accounts receivable									
Due from other funds									
Due from State		26,555							
Due from other governmental units									
Prepaid expenses									
Amount to be provided for accounts payable									
<b>TOTAL ASSETS</b>	<u>\$ 3,033</u>	<u>\$ 538,736</u>	<u>\$ 3,322</u>	<u>\$ 196</u>	<u>\$</u>	<u>\$ 10,785</u>	<u>\$ 5,211</u>	<u>\$</u>	<u>\$ 32,046</u>
<u>LIABILITIES &amp; FUND BALANCE</u>									
Liabilities:									
Accounts payable	\$	\$ 160,164	\$	\$	\$	\$	\$ 89	\$	\$
Accrued expenses									
Due to other governmental funds									
Deferred revenue									
<b>TOTAL LIABILITIES</b>		<u>160,164</u>					<u>89</u>		
Fund Balance:									
Reserved		227,866							
Unreserved	<u>3,033</u>	<u>150,706</u>	<u>3,322</u>	<u>196</u>		<u>10,785</u>	<u>5,122</u>		<u>32,046</u>
<b>TOTAL FUND BALANCE</b>	<u>3,033</u>	<u>378,572</u>	<u>3,322</u>	<u>196</u>		<u>10,785</u>	<u>5,122</u>		<u>32,046</u>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<u>\$ 3,033</u>	<u>\$ 538,736</u>	<u>\$ 3,322</u>	<u>\$ 196</u>	<u>\$</u>	<u>\$ 10,785</u>	<u>\$ 5,211</u>	<u>\$</u>	<u>\$ 32,046</u>

**CHARLEVOIX COUNTY, MICHIGAN  
COMBINING BALANCE SHEETS  
NONMAJOR SPECIAL REVENUE FUNDS  
DECEMBER 31, 2005**

	Recovery High Project	Probate Grants	Gaming Fund	Crime Victims Rights	Emmet County FIA	Emmet County Care Sub	Community Corrections	Michigan Justice Training	Social Welfare
<u>ASSETS</u>									
Cash	\$ 63,825	\$	\$ 7,000	\$	\$ 24,724	\$ 573	\$ 2,296	\$ 1,602	\$ 201,762
Accounts receivable	362								
Due from other funds							103,669		
Due from State		1,676							21,560
Due from other governmental units							21,197		
Prepaid expenses									
Amount to be provided for accounts payable									44,208
<b>TOTAL ASSETS</b>	<u>\$ 64,187</u>	<u>\$ 1,676</u>	<u>\$ 7,000</u>	<u>\$</u>	<u>\$ 24,724</u>	<u>\$ 573</u>	<u>\$ 127,162</u>	<u>\$ 1,602</u>	<u>\$ 267,530</u>
<u>LIABILITIES &amp; FUND BALANCE</u>									
Liabilities:									
Accounts payable	\$	\$ 3,056	\$	\$ 4,824	\$ 611	\$	\$ 1,262	\$	\$ 44,208
Accrued expenses	140								
Due to other governmental funds									
Deferred revenue									21,560
<b>TOTAL LIABILITIES</b>	<u>140</u>	<u>3,056</u>		<u>4,824</u>	<u>611</u>		<u>1,262</u>		<u>65,768</u>
Fund Balance:									
Reserved									
Unreserved	<u>64,047</u>	<u>(1,380)</u>	<u>7,000</u>	<u>(4,824)</u>	<u>24,113</u>	<u>573</u>	<u>125,900</u>	<u>1,602</u>	<u>201,762</u>
<b>TOTAL FUND BALANCE</b>	<u>64,047</u>	<u>(1,380)</u>	<u>7,000</u>	<u>(4,824)</u>	<u>24,113</u>	<u>573</u>	<u>125,900</u>	<u>1,602</u>	<u>201,762</u>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<u>\$ 64,187</u>	<u>\$ 1,676</u>	<u>\$ 7,000</u>	<u>\$</u>	<u>\$ 24,724</u>	<u>\$ 573</u>	<u>\$ 127,162</u>	<u>\$ 1,602</u>	<u>\$ 267,530</u>

**CHARLEVOIX COUNTY, MICHIGAN  
COMBINING BALANCE SHEETS  
NONMAJOR SPECIAL REVENUE FUNDS  
DECEMBER 31, 2005**

	Child Care/ Child Care Sub Account	Veterans Trust	GIS Grants	Detention	Total 2005
<u>ASSETS</u>					
Cash	\$	\$ 1,783	\$ 571	\$ 9,582	\$ 2,179,731
Accounts receivable					388
Due from other funds					103,669
Due from State	129,361			7,000	268,460
Due from other governmental units					21,197
Prepaid expenses					6,916
Amount to be provided for accounts payable					44,208
 TOTAL ASSETS	 \$ 129,361	 \$ 1,783	 \$ 571	 \$ 16,582	 \$ 2,624,569
<u>LIABILITIES &amp; FUND BALANCE</u>					
Liabilities:					
Accounts payable	\$ 56,310	\$	\$	\$	\$ 395,463
Accrued expenses					19,665
Due to other governmental funds					6,915
Deferred revenue					21,560
 TOTAL LIABILITIES	 56,310				 443,603
Fund Balance:					
Reserved					459,562
Unreserved	73,051	1,783	571	16,582	1,721,404
 TOTAL FUND BALANCE	 73,051	 1,783	 571	 16,582	 2,180,966
 TOTAL LIABILITIES & FUND BALANCE	 \$ 129,361	 \$ 1,783	 \$ 571	 \$ 16,582	 \$ 2,624,569

**CHARLEVOIX COUNTY, MICHIGAN**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	State Survey and Remonu - Mentation	Whiting Park	Friend of the Court	Recycling Fund	Economic Development	Public Improve - Ment	Building Department	Unemploy - Ment	Register of Deeds Automation Fund
REVENUES:									
Taxes	\$	\$	\$	\$ 232,542	\$	\$	\$	\$	\$
License and permits							813,660		
Federal grants			11,366						
State grants	108,441								
Charges for services		66,333	18,954	1,688					72,260
Fines & forfeits									
Interest & rents			2,516	8,820	1,136	17,372	5,590	3,392	2,104
Other								18,650	
TOTAL REVENUES	<u>108,441</u>	<u>66,333</u>	<u>32,836</u>	<u>243,050</u>	<u>1,136</u>	<u>17,372</u>	<u>819,250</u>	<u>22,042</u>	<u>74,364</u>
EXPENDITURES:									
Judicial			25,983						
General government	103,183					31,275			94,208
Public safety							744,444		
Health & welfare									
Recreational & cultural		122,203							
Other				262,518		9		15,971	
TOTAL EXPENDITURES	<u>103,183</u>	<u>122,203</u>	<u>25,983</u>	<u>262,518</u>		<u>31,284</u>	<u>744,444</u>	<u>15,971</u>	<u>94,208</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>5,258</u>	<u>(55,870)</u>	<u>6,853</u>	<u>(19,468)</u>	<u>1,136</u>	<u>(13,912)</u>	<u>74,806</u>	<u>6,071</u>	<u>(19,844)</u>
OTHER FINANCING SOURCES (USES):									
Operating transfers in	16,000	56,000							
Operating transfers (out)									
TOTAL OTHER FINANCING SOURCES	<u>16,000</u>	<u>56,000</u>							
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITUES AND OTHER USES	<u>21,258</u>	<u>130</u>	<u>6,853</u>	<u>(19,468)</u>	<u>1,136</u>	<u>(13,912)</u>	<u>74,806</u>	<u>6,071</u>	<u>(19,844)</u>
FUND BALANCE, beginning	<u>(19,085)</u>	<u>16,674</u>	<u>76,234</u>	<u>234,374</u>	<u>34,449</u>	<u>505,904</u>	<u>143,366</u>	<u>107,814</u>	<u>80,350</u>
FUND BALANCE, ending	<u>\$ 2,173</u>	<u>\$ 16,804</u>	<u>\$ 83,087</u>	<u>\$ 214,906</u>	<u>\$ 35,585</u>	<u>\$ 491,992</u>	<u>\$ 218,172</u>	<u>\$ 113,885</u>	<u>\$ 60,506</u>

**CHARLEVOIX COUNTY, MICHIGAN**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	Sheriff ATV Project	911 Fund	D.A.R.E	Tracking Dog	Local Training Officer's Training	Drug Law Enforcement	Law Library	Housing Program	Transport - Ation Authority
REVENUES:									
Taxes	\$	\$	\$	\$	\$	\$	\$	\$	\$
License and permits									
Federal grants									
State grants									
Charges for services									176,040
Fines & forfeits									
Interest & rents	94		108	1		373	194	592	480
Other	500	238,081	3,773	190					
TOTAL REVENUES	594	238,081	3,881	191		373	194	592	176,520
EXPENDITURES:									
Judicial							1,369		
General government								29,069	
Public safety			3,403			3,742			
Health & welfare									
Recreational & cultural									
Other		211,526							154,689
TOTAL EXPENDITURES		211,526	3,403			3,742	1,369	29,069	154,689
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	594	26,555	478	191		(3,369)	(1,175)	(28,477)	21,831
OTHER FINANCING SOURCES (USES):									
Operating transfers in									
Operating transfers (out)									
TOTAL OTHER FINANCING SOURCES									
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	594	26,555	478	191		(3,369)	(1,175)	(28,477)	21,831
FUND BALANCE, beginning	2,439	352,017	2,844	5		14,154	6,297	28,477	10,215
FUND BALANCE, ending	\$ 3,033	\$ 378,572	\$ 3,322	\$ 196	\$	\$ 10,785	\$ 5,122	\$	\$ 32,046

**CHARLEVOIX COUNTY, MICHIGAN**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	Recovery High Program	Probate Grants	Gaming Fund	Crime Victims Rights	Emmet County FIA	Emmet County Care Sub	Community Corrections	Michigan Justice Training	Social Welfare
REVENUES:									
Taxes	\$	\$	\$	\$	\$	\$	\$	\$	\$
License and permits									
Federal grants		23,867							
State grants	461,246	3,000		28,382			64,253	4,271	201,133
Charges for services							37,048		
Fines & forfeits									
Interest & rents	3,067			7	442				4,515
Other					14,000		24,120		7,362
TOTAL REVENUES	<u>464,313</u>	<u>26,867</u>		<u>28,389</u>	<u>14,442</u>		<u>125,421</u>	<u>4,271</u>	<u>213,010</u>
EXPENDITURES:									
Judicial	529,143	36,830		39,431					
General government									
Public safety								6,268	
Health & welfare					9,686		128,403		238,278
Recreational & cultural									
Other									
TOTAL EXPENDITURES	<u>529,143</u>	<u>36,830</u>		<u>39,431</u>	<u>9,686</u>		<u>128,403</u>	<u>6,268</u>	<u>238,278</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(64,830)</u>	<u>(9,963)</u>		<u>(11,042)</u>	<u>4,756</u>		<u>(2,982)</u>	<u>(1,997)</u>	<u>(25,268)</u>
OTHER FINANCING SOURCES (USES):									
Operating transfers in				6,218			10,000		11,800
Operating transfers (out)									
TOTAL OTHER FINANCING SOURCES				<u>6,218</u>			<u>10,000</u>		<u>11,800</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(64,830)</u>	<u>(9,963)</u>		<u>(4,824)</u>	<u>4,756</u>		<u>7,018</u>	<u>(1,997)</u>	<u>(13,468)</u>
FUND BALANCE, beginning	<u>128,877</u>	<u>8,583</u>	<u>7,000</u>		<u>19,357</u>	<u>573</u>	<u>118,882</u>	<u>3,599</u>	<u>215,230</u>
FUND BALANCE, ending	<u>\$ 64,047</u>	<u>\$ (1,380)</u>	<u>\$ 7,000</u>	<u>\$ (4,824)</u>	<u>\$ 24,113</u>	<u>\$ 573</u>	<u>\$ 125,900</u>	<u>\$ 1,602</u>	<u>\$ 201,762</u>



**CHARLEVOIX COUNTY, MICHIGAN**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	Child Care / Child Care Sub Account	Veterans Trust	GIS Grants	Detention	2005
REVENUES:					
Taxes	\$	\$	\$	\$	\$ 232,542
License and permits					813,660
Federal grants					35,233
State grants	367,021	1,668			1,239,415
Charges for services					372,323
Fines & forfeits					
Interest & rents					50,803
Other	60,400		9,233	67,927	444,236
TOTAL REVENUES	427,421	1,668	9,233	67,927	3,188,212
EXPENDITURES:					
Judicial			14,289	52,135	699,180
General government					257,735
Public safety	880,745	1,887			1,640,489
Health & welfare					376,367
Recreational & cultural					122,203
Other					644,713
TOTAL EXPENDITURES	880,745	1,887	14,289	52,135	3,740,687
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(453,324)	(219)	(5,056)	15,792	(552,475)
OTHER FINANCING SOURCES (USES):					
Operating transfers in	250,000				350,018
Operating transfers (out)					
TOTAL OTHER FINANCING SOURCES	250,000				350,018
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(203,324)	(219)	(5,056)	15,792	(202,457)
FUND BALANCE, beginning	276,375	2,002	5,627	790	2,383,423
FUND BALANCE, ending	\$ 73,051	\$ 1,783	\$ 571	\$ 16,582	\$ 2,180,966

**CHARLEVOIX COUNTY, MICHIGAN  
COMBINING BALANCE SHEETS  
NON MAJOR DEBT SERVICE FUNDS  
DECEMBER 31, 2005**

	<u>Debt Service Fund</u>	<u>Boyne Falls Debt Service Fund</u>	<u>Totals</u>
<b>ASSETS</b>			
Cash	\$ 815,678	\$ 67	\$ 815,745
Accounts Receivable	275		275
Due from other funds	<u>57,479</u>		<u>57,479</u>
 TOTAL ASSETS	 <u>\$ 873,432</u>	 <u>\$ 67</u>	 <u>\$ 873,499</u>
 <b>FUND BALANCE</b>			
FUND BALANCE:			
Reserved for Debt Service	<u>\$ 873,432</u>	<u>\$ 67</u>	<u>\$ 873,499</u>

**CHARLEVOIX COUNTY, MICHIGAN  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NON MAJOR DEBT SERVICE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Debt Service Fund	Boyne Falls Debt Service Fund	Totals
REVENUES:			
Taxes	\$ 841,508	\$	\$ 841,508
Contributions from local units		28,591	28,591
Interest	25,167	67	25,234
	<u>866,675</u>	<u>28,658</u>	<u>895,333</u>
TOTAL REVENUES			
EXPENDITURES:			
Other	413		413
Debt service – principal and interest	590,625	28,591	619,216
	<u>591,038</u>	<u>28,591</u>	<u>619,629</u>
TOTAL EXPENDITURES			
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	275,637	67	275,704
FUND BALANCE, beginning of year	597,795		597,795
	<u>597,795</u>		<u>597,795</u>
FUND BALANCE, end of year	<u>\$ 873,432</u>	<u>\$ 67</u>	<u>\$ 873,499</u>

**CHARLEVOIX COUNTY, MICHIGAN  
COMBINING BALANCE SHEETS  
NON MAJOR CAPITAL PROJECT FUNDS  
DECEMBER 31, 2005**

	Equipment Fund	Building Renovation Fund	Village of Boyne Falls Water System	2001 Construction Bond Fund	Totals 2005
<b>ASSETS</b>					
Cash	\$ 32,216	\$ 38,885	\$ 6,712	\$	\$ 77,813
Due from other government units				1,190,796	1,190,796
<b>TOTAL ASSETS</b>	<u>\$ 32,216</u>	<u>\$ 38,885</u>	<u>\$ 6,712</u>	<u>\$ 1,190,796</u>	<u>\$ 1,268,609</u>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$	\$	\$ 22,220	\$ 664,613	\$ 686,833
Deposits payable		800			800
<b>TOTAL LIABILITIES</b>		<u>800</u>	<u>22,220</u>	<u>664,613</u>	<u>687,633</u>
<b>FUND BALANCE:</b>					
Reserved for capital outlay	32,216	38,085			70,301
Unreserved			(15,508)	526,183	510,675
<b>TOTAL FUND BALANCE</b>	<u>32,216</u>	<u>38,085</u>	<u>(15,508)</u>	<u>526,183</u>	<u>580,976</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 32,216</u>	<u>\$ 38,885</u>	<u>\$ 6,712</u>	<u>\$ 1,190,796</u>	<u>\$ 1,268,609</u>

**CHARLEVOIX COUNTY, MICHIGAN**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NON MAJOR CAPITAL PROJECT FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	Equipment Fund	Building Renovation Fund	Village of Boyne Falls Water System	2001 Construction Bond Fund	Totals <u>2005</u>
REVENUES:					
Interest on investments	\$	\$	\$ 799	\$ 12,636	\$ 13,435
Other	<u>21,137</u>				<u>21,137</u>
TOTAL REVENUES	<u>21,137</u>		<u>799</u>	<u>12,636</u>	<u>34,572</u>
EXPENDITURES:					
Capital outlay	27,902		6,112	41,917	75,931
Debt service – principal and interest					
	<u>27,902</u>		<u>6,112</u>	<u>41,917</u>	<u>75,931</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(6,765)</u>		<u>(5,313)</u>	<u>(29,281)</u>	<u>(41,359)</u>
OTHER FINANCING SOURCES:					
Transfer In				1,190,796	1,190,796
Bond proceeds			<u>6,112</u>		<u>6,112</u>
TOTAL OTHER FINANCING SOURCES				<u>1,190,796</u>	<u>1,196,908</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(6,765)		799	1,161,515	1,155,549
FUND BALANCE, beginning of year	<u>38,981</u>	<u>38,085</u>	<u>(16,307)</u>	<u>(635,332)</u>	<u>(574,573)</u>
FUND BALANCE, end of year	<u>\$ 32,216</u>	<u>\$ 38,085</u>	<u>\$ (15,508)</u>	<u>\$ 526,183</u>	<u>\$ 580,976</u>

**CHARLEVOIX COUNTY, MICHIGAN  
COMBINING STATEMENT OF CHANGES IN  
ASSETS AND LIABILITIES  
ALL TRUST AND AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Trust and Agency Fund				Auxiliary and Library Trust Fund			
	Balance January 1, 2005	Additions	Deductions	Balance December 31, 2005	Balance January 1, 2005	Additions	Deductions	Balance December 31, 2005
<u>ASSETS</u>								
Cash	\$ 757,599	\$ 50,198,562	\$ 48,716,950	\$ 2,239,211	\$ 87,953	\$ 157,908	\$ 148,822	\$ 97,039
Investments	1,000,000	100,041		1,100,041				
Due from other funds								
Prepaid expenses		4,110		4,110				
<b>TOTAL ASSETS</b>	<b>\$ 1,757,599</b>	<b>\$ 50,302,713</b>	<b>\$ 48,716,950</b>	<b>\$ 3,343,362</b>	<b>\$ 87,953</b>	<b>\$ 157,908</b>	<b>\$ 148,822</b>	<b>\$ 97,039</b>
<u>LIABILITIES</u>								
Accounts payable	\$ 1,416	\$ 726,758	\$ 726,703	\$ 1,471	\$	\$	\$	\$
Due to other funds	101,892	1,324,766	42,550	1,384,108				
Due to State	376,614	13,400,057	13,452,747	323,924				
Due to other government units:								
Due to cities	807	8,282	8,635	454				
Due to library	(120)	451	331					
Due to schools	314,841	4,216,251	4,034,575	496,517				
Due to townships	120	43,057	43,177					
Due to Federal government	91,062	5,313,396	5,405,987	(1,529)				
Other liabilities	870,967	25,269,695	25,002,245	1,138,417	87,953	157,908	148,822	97,039
<b>TOTAL LIABILITIES</b>	<b>\$ 1,757,599</b>	<b>\$ 50,302,713</b>	<b>\$ 48,716,950</b>	<b>\$ 3,343,362</b>	<b>\$ 87,953</b>	<b>\$ 157,908</b>	<b>\$ 148,822</b>	<b>\$ 97,039</b>

The above statement does not include the Friend of Court activity because their activity is not recorded by the County Treasurer or Clerk's offices. The Friend of Court activity is estimated to be just over \$2,022,080 for the calendar year 2005, including two bank accounts with a total bank balance of \$2,203.

**CHARLEVOIX COUNTY, MICHIGAN  
COMBINING STATEMENT OF CHANGES IN  
ASSETS AND LIABILITIES  
ALL TRUST AND AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	District Court Trust Fund				Totals			
	Balance January 1, 2005	Additions	Deductions	Balance December 31, 2005	Balance January 1, 2005	Additions	Deductions	Balance December 31, 2005
<u>ASSETS</u>								
Cash	\$ 32,490	\$ 1,058,473	\$ 1,038,280	\$ 52,683	\$ 878,042	\$ 51,414,943	\$ 49,904,052	\$ 2,388,933
Investments					1,000,000	100,041		1,100,041
Due from other funds								
Prepaid expenses						4,110		4,110
<b>TOTAL ASSETS</b>	<u>\$ 32,490</u>	<u>\$ 1,058,473</u>	<u>\$ 1,038,280</u>	<u>\$ 52,683</u>	<u>\$ 1,878,042</u>	<u>\$ 51,519,094</u>	<u>\$ 49,904,052</u>	<u>\$ 3,493,084</u>
<u>LIABILITIES</u>								
Accounts payable	\$	\$	\$	\$	\$ 1,416	\$ 726,758	\$ 726,703	\$ 1,471
Due to other funds					101,892	1,324,766	42,550	1,384,108
Due to State					376,614	13,400,057	13,452,747	323,924
Due to other government units:								
Due to cities					807	8,282	8,635	454
Due to library					(120)	451	331	
Due to schools					314,841	4,216,251	4,034,575	496,517
Due to townships					120	43,057	43,177	
Due to Federal government					91,062	5,313,396	5,405,987	(1,529)
Other liabilities	<u>\$ 32,490</u>	<u>\$ 1,058,473</u>	<u>\$ 1,038,280</u>	<u>\$ 52,683</u>	<u>991,410</u>	<u>26,486,076</u>	<u>26,189,347</u>	<u>1,288,139</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 32,490</u>	<u>\$ 1,058,473</u>	<u>\$ 1,038,280</u>	<u>\$ 52,683</u>	<u>\$ 1,878,042</u>	<u>\$ 51,519,094</u>	<u>\$ 49,904,052</u>	<u>\$ 3,493,084</u>

**CHARLEVOIX COUNTY, MICHIGAN**  
**SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS – 2001 DEBT**  
**DECEMBER 31, 2005**

	<u>Interest Rate</u>	<u>Principal amount</u>	<u>Interest amount</u>	<u>Total</u>
Year ending December 31:				
2006	4.5%	350,000	276,000	626,000
2007	4.5%	400,000	259,125	659,125
2008	4.5%	425,000	240,562	665,562
2009	4.5%	475,000	220,313	695,313
2010 – 2014	Various	3,250,000	717,874	3,967,874
2015 – 2016	Various	<u>1,650,000</u>	<u>104,125</u>	<u>1,754,125</u>
		<u>\$ 6,550,000</u>	<u>\$ 1,817,999</u>	<u>\$ 8,367,999</u>

Principal payments due on first day of                      May

Interest payments due on the first day of                      May and November

Original issue – October 1, 2001                      \$7,500,000

Purpose

Renovation and new construction to correct for building deficiencies, create a new Alzheimer Unit and add hospice and respite beds and the Grandvue Medical Care Facility.



**CHARLEVOIX COUNTY, MICHIGAN**  
**SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS – 2003 DEBT**  
**DECEMBER 31, 2005**

	<u>Interest Rate</u>	<u>Principal amount</u>	<u>Interest amount</u>	<u>Total</u>
Year ending December 31:				
2006	2.5%	15,000	14,500	29,500
2007	2.5%	15,000	14,125	29,125
2008	2.5%	15,000	13,750	28,750
2009	2.5%	15,000	13,375	28,375
2010	2.5%	15,000	13,000	28,000
2011 – 2015	2.5%	75,000	59,375	134,375
2016 – 2020	2.5%	100,000	46,250	146,250
2021 – 2025	2.5%	105,000	33,750	138,750
2026 – 2030	2.5%	125,000	19,375	144,375
2031 – 2033	2.5%	53,176	4,125	57,301
		<u>\$ 533,176</u>	<u>\$ 231,625</u>	<u>\$ 764,801</u>

Principal payments due on first day of                      October

Interest payments due on the first day of                      April and October

Original issue – June 26, 2003                                      \$595,000

Purpose

Construction of drinking water reservoir and water main extension. Upgrades at Well No. 4 and Well No. 5, and purchase of generator for standby power.



**Report on Internal Control over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

Honorable Chairman and Members  
of the Board of Commissioners  
Charlevoix County  
Charlevoix, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented components units, each major fund, and the aggregate remaining fund information of Charlevoix County, Michigan, as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents and have issued our report thereon dated May 11, 2006. We did not audit the financial statements of the Northwest Michigan Community Health Agency, a component unit. Those financial statement were audited by other auditors whose report were furnished to us, and our opinion, in so far as it relates to the amounts included for that entity, is based on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Charlevoix County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and do not provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of Charlevoix County in a separate letter dated May 11, 2006.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Charlevoix County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we reported to the management of Charlevoix County in a separate letter dated May 11, 2006.

This report is intended solely for the information and use of the Board of Commissioners, audit committee, management and Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountants  
Traverse City, MI  
May 11, 2006



**Report on Compliance with Requirements Applicable to each  
Major Program and Internal Control over Compliance  
in Accordance with OMB Circular A-133**

Honorable Chairman and Members  
of the Board of Commissioners  
Charlevoix County  
Charlevoix, Michigan

**Compliance**

We have audited the compliance of Charlevoix County ("the County") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended December 31, 2005. The County's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each major Federal program is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

Charlevoix County's financial statements include the operations of the Northwest Michigan Community Health Agency, which received \$1,715,250 in federal awards, which is not included in the schedule for the year ended December 31, 2005. Our audit described below, did not include the operations of the Northwest Michigan Community Health Agency because the component unit engaged other auditors to perform an audit in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Charlevoix County complied, in all material respects, with the requirements referred to above that are applicable to its major Federal program for the year ended December 31, 2005.

## **Internal Control Over Compliance**

The management of Charlevoix County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Commissioners, audit committee, management and the Michigan Department of Treasury and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountants  
Traverse City, MI  
May 11, 2006

**CHARLEVOIX COUNTY, MICHIGAN**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-through Grantor's Number	Federal Expenditures
<u>General Fund:</u>			
U.S. Department of Justice, passed through the Michigan Department of Management and Budget			
Anti-Drug Abuse Act (SANE)	16.579	70868-6-04-B	\$ 41,707
U.S. Department of Social Services, passed through the Michigan Department of Social Services			
Child Support Enforcement:			
Title IV-D Reimbursement Contracts	93.563	FOC	315,747
	93.563	PA	49,668
Assistance Programs:			
Title IV-D Incentive Payment	93.560		68,364
U.S. Department of Homeland Security, passed through The Michigan State Police			
2005 State Homeland Security Assessment and Strategy	97.004		243,145
Emergency Performance Grant	97.042	2004	197
	97.042	2005	30,856
TOTAL GENERAL FUND			749,684
<u>Commission on Aging Fund:</u>			
U.S. Department of Health and Human Services			
Title IIIB	93.633	2005	18,995
Title IIIC1	93.635	2005	31,694
Title IIIC2	93.635	2005	39,451
USDA – Congregate meals	93.635	2005	6,925
USDA – Home Delivered meals	93.635	2005	8,628
Total Commission on Aging			105,693

**CHARLEVOIX COUNTY, MICHIGAN**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**  
**(Continued)**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-through Grantor's Number	Federal Expenditures
<u>Friend of the Court Fund:</u>			
U.S. Department of Social Services, passed through the Michigan Department of Social Services Child Support Enforcement: Title IV-D Reimbursement Contracts	93.563	FOC	11,366
<u>Probate Grant Fund:</u>			
Michigan Department of Community Health Project PAST	16.579	04-15001	11,158
	16.579	05-15001	12,709
			23,867
<u>Village of Boyne Falls Construction Fund</u>			
U.S. Department of Environmental Quality, passed through the Michigan Department of Environmental Quality State/Drinking Water Revolving Fund Loan	66.468	785,837	2,723
<u>Public Transit Fund:</u>			
U.S. Department of Transportation, passed through the Michigan Department of Transportation Public Transportation for Non-Urbanized Areas Operating Assistance Section 18	20.509		134,611
Capital Grant	20.500		7,248
			141,859
TOTAL FEDERAL FINANCIAL ASSISTANCE (PRIMARY GOVERNMENT)			\$ 1,035,192

**CHARLEVOIX COUNTY, MICHIGAN**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTES (PRIMARY GOVERNMENT):

1. Basis of presentation – The accompanying schedule of expenditures of federal awards includes the grant activity of Charlevoix County, Michigan and is presented on the modified accrual basis of accounting. The information in the schedule is presented in accordance with OMB Circular A-133 and reconciles with the amounts presented in the preparation of the general purpose financial statements.
2. Title IV-D, CFDA #93.563 was audited as a major program, representing 36.40% of expenditures.
3. The threshold for distinguishing Type A and Type B programs was \$300,000.
4. Charlevoix County, Michigan was determined to be a low risk auditee.



**CHARLEVOIX COUNTY, MICHIGAN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2005  
PRIMARY GOVERNMENT**

**Section I – Summary of Auditors’ Results**

**Financial statements**

Type of auditors’ report issued: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified: ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified: ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditors’ report issued on compliance for major programs: *Unqualified*

Any audit finding disclosed that are required to be reported with Section 510(a) of Circular A-133? ☐ Yes ☒ No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program</u>
93.563	Title IV-D

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

Section II – Financial Statement Findings: None

Section III – Federal Award Findings and Questioned Costs: None

Prior year findings: None



May 11, 2006

To the Board of Commissioners  
Charlevoix County  
Charlevoix, Michigan

In planning and performing our audit of the financial statements of Charlevoix County for the year ended December 31, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to deficiencies in the design or operation of internal control that, in our judgment, could adversely affect Charlevoix County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

#### Investments

As of December 31, 2005, the County had investments that were not in compliance with the State of Michigan Compiled Laws 129.91 which authorizes Charlevoix County to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The County had two investments that exceeded the minimum commercial paper rating as required by the Act. The Treasurer is responsible authorizing investments and must insure that investment companies selected by the Treasurer understand the limitations set by the State of Michigan with regard to investments.

#### Public Act 621, Budgeting

The County has complied with the spirit of P.A. 621, Budgeting, but has expended more than the budgeted amount in certain categories. The County may amend budgets throughout the year for any unforeseen expenditures. There was no budget adopted for the Revenue Sharing Reserve Fund. The County is required to adopt a budget for all general and special revenue funds.

### Inmate trust Account

The Sheriff's office has been delinquent in reconciling and disbursing the inmate trust revenues to the State of Michigan and the general government. Controls need to be put in place to make sure this function is operating on a timely basis. It is our understanding that subsequent to year end, all necessary reports have been completed to date and submitted to the appropriate officials.

The booking fee collected from inmates is not being receipted into the County-wide receipting system. Currently, this booking fee is being receipted and paid out of the inmate trust account. This booking fee needs to be receipted through the County-wide receipting system to maintain control over the funds and to properly report the disbursement of the funds to the State of Michigan and the Local Correction Officers Training Fund.

### Disbursement Process

During our test of the disbursement system, we noted that department heads were approving invoices for payment by using a signature stamp. We feel that this is an ineffective internal control as maintaining security over the signature stamp cannot be guaranteed. Anybody with access to the stamp can approve invoices for payment, not necessarily the department head. This process should be stopped and all invoices received with a stamp should be directed back to the department for proper approval.

### Investment Policy

Governmental Accounting Standards Board has issued Statement #40, *Deposit and Investment Risk Disclosures*, which was effective for the December 31, 2005 annual financial statements. The objective of this statement is to update the custodial credit risk disclosure requirements and to establish more comprehensive disclosure requirements addressing other common risks of the deposits and investments of state and local governments. This statement requires a brief description of the deposit or investment policies that are related to the risks that GASB 40 requires to be disclosed, including Custodial Credit Risk, Concentration of Credit Risk, Interest Rate Risk and Foreign Currency Risk.

Although GASB 40 does not specifically require an Investment Policy, governmental units will certainly want to consider adopting an updated policy. You will need to disclose in your annual audit footnotes:

- the government's investment policy for any specific type of risk to which the district is exposed, or
- the fact that your district has no investment policy that addresses the specific type of risk to which the district is exposed.

The County is generally conservative minded when investing its excess deposits, but a policy which defines that risk level of the district will protect its investments.

We appreciate the assistance and cooperation we received from the accounting staff during our audit. This report is intended solely for the information and use of the Board of Commissioners, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.